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Family and friends of Sergeant Major Nissim Toledano, who was slain after being kidnapped by Islamic militants, gathering at his home to console each other.

Stabbed Body Of Kidnapped Border Guard Found in Israel

By Clyde Haberman New York Times Service

KFAR ADUMIM, Israeli-occupied West Bank — The stabbed and bound body of an Israeli border policeman was found Tuesday alongside a highway near this Jewish settlement outside Jerusalem, two days after Islamic militants kidnapped him in an attempt to free their jailed leader.

The murder of Sergeant Major Nissim Toledano, 29, sent waves of anti-Arab anger rolling across Israel, where many people were already badly shaken by an abduction viewed as a daring challenge to Israeli authority, especially in the occupied West Bank and Gaza Strip.

Cries for vengeance were intense in Sergeant Toledano's hometown of Lod, a mixed Jewish and Arab town in Israel proper. Soon after word of his death came, policemen circled the main Arab quarter to keep bands of screaming Jewish youths from entering, and arrested 14 of them.

In the Knesset, or parliament, politicians of all ideological stripes demanded a swift and harsh crackdown against Hamas, a Gaza-based group of Islamic militants that rejects both Israeli statehood and Palestinian involvement in the Middle East peace talks. Hamas has claimed responsibility for the deaths of five uniformed Israelis in the last eight days.

On Sunday, an armed wing of the organization said it had taken Sergeant Toledano captive, threatening to kill him unless Israel released the imprisoned founder of their movement, Sheikh Ahmed Yassin.

Even committed doves who do not normally call for tough measures insisted on anti-Hamas reprisals, which a few said could include deportations, an action they have

See ISRAEL, Page 6

IBM Slashes Spending for Research in New Cutback

25,000 More Jobs to Go In Latest Downsizing, Shares Take a 10% Loss

By Lawrence Malkin International Herald Tribune

NEW YORK — IBM announced a work force reduction Tuesday of 25,000 people and a \$1 billion cut in research spending, a move that troubled President-elect Bill Clinton and sent the computer maker's stock plummeting more than 10 percent.

For the first time in its history, IBM warned that employees who do not go voluntarily may be laid off.

The company said the job cuts and related reductions in its manufacturing capacity would force it to reduce its fourth-quarter earnings by \$6 billion.

International Business Machines Corp. shares plunged \$6.75 to close at \$56.125. But the Dow Jones industrial index showed only a 7.84 point loss, to 3,284.36, while the North America component of the International Herald Tribune World Stock Index slipped just 0.39 percent to close at 97.28. (Page 16)

IBM warned as well that it may not be able to maintain its hefty dividend amid unfavorable business and economic conditions that are expected to continue into 1993. Last year, the company paid out \$4.64 a share.

Chairman John F. Akers and IBM's chief financial officer, Frank A. Metz, said at a conference for Wall Street analysts that declining revenues in Europe and Japan had accelerated the continued downsizing of the world's largest computer company.

IBM's work force, which stood at a high of 344,000 at the end of 1991, had already been reduced by at least 32,000 as of the middle of this year in an early retirement program.

Mr. Akers would not say whether the cuts announced Tuesday were the final ones. But the man who once boasted that IBM had never dismissed anyone on economic grounds, in order to ensure the individual creativity that grows from job security, said the company's moves were all part of a "difficult transformation in the computer industry."

In threatening layoffs for the first time in IBM's history, Mr. Akers said he expected managers "to make every reasonable effort" to reduce their head count by voluntary means. But he added: "If current business conditions do not improve significantly, however, it is likely that some business units will be unable to maintain full employment by 1993."

IBM's basic strategy now will be to redeploy its resources from its traditional concentration on mainframe computers and personal computers to advising and servicing companies with its own computer expertise in solving business problems through networks and software.

This is where the big money is now made in the industry. Analysts said that IBM was paying the price of realizing this too late, like too many large and bureaucratic American firms.

Only a day before, General Motors Corp., the quintessential U.S. industrial giant, announced it had agreed with the United Auto Workers on a sweeping set of early retirement incentives that would shrink its work force by 70,000, or 15 percent, as it closes almost two dozen assembly and parts plants between now and 1995.

The cut in R&D spending is to take place in mainframes, chips and allied technology spending. Mr. Akers said mainframe revenue, estimated last year at \$14 billion, would decline "perhaps 10 percent" this year.

The \$1 billion research cut came as disturbing news to Mr. Clinton, who has been conducting a seminar in Little Rock, Arkansas, on the need for long-run investment to create jobs.

Asked about the president-elect's reaction, Mr. Akers said IBM was still a world and industry leader in research but felt it could do better by "shifting to areas for growth," meaning services, which need less capital but also return less profit in the long run. He argued that the company was forging ahead with its new microprocessors developed with Motorola Inc. and also being used by Apple Computer Inc. This did not convince a number of listeners, however, including Barry Bosak of Smith Barney, who reminded Mr. Akers of the race for higher computing speeds and said IBM was "still missing the element of revenue-generation through quantum leaps in technology."

Mr. Akers said the new job reductions would come from IBM's manufacturing and development, which meant closing factories and getting rid of people because of slow sales, and in the support staff of marketing and services units, where IBM now is placing its bets.

Mr. Metz said weakness in Germany had taken the company by surprise. Also weighing on the outlook were falling revenues in France and Britain.

He added that markets in Asia, and especial-

See IBM, Page 6

Along the Road to Somali Famine, Troops See Signs of Health

By Eric Schmitt New York Times Service

BALI DOGLE, Somalia — Lance Corporal Larry Abeyta gazed out at the lush cornfields and herds of cattle and camels whizzing by his window, and couldn't help wondering whether he was in America's heartland instead of Somalia.

"We were expecting a desert wasteland, not this," said Corporal Abeyta, 25, a TOW anti-tank gunner from Redondo Beach, California.

"There's all this fertile farmland. It's rained while we were here. And we haven't seen any starving people."

A convoy of some 700 U.S. Marines and French Foreign Legionnaires in 70 vehicles broke the 200-kilometer trip to Baidoa, the first push into the Somali interior toward the epicenter of the man-made famine belt. And many Marines said the three-hour drive to Bali Dogle, the midway point, was a journey in contradictions with a touch of the absurd.

Marines said that despite all they had heard about starving Somalis, the people along the route seemed relatively well-fed. The troops brought armored vehicles, anti-tank bazookas and supplies, yet they encountered only friendly people, talk and smiles. As for a reminder of how the geopolitical landscape has shifted here, an American flag flew over the control tower of the Soviet-built airstrip in Bali Dogle, which will be the major staging area for relief supplies into Baidoa.

The Marines were scheduled to leave the air base early Wednesday, and all vehicles are under strict orders to drive with their lights off for security reasons.

Some soldiers, however, think the precautions and the show of might have been a tad much.

"Everybody's cranking this up to be something it's not," said Lance Corporal Freddie Piro, 26, a Marine sniper from Los Angeles. "We could have done this mission with a lot

less, but we wanted to scare the crap out of people. It's also an insurance policy so that we don't get hurt."

To be sure, the conditions in Baidoa, where the Marines are to arrive early Wednesday, are much worse than they were along the road from Mogadishu. The number of people dying from starvation had dropped to 50 a day last month from a high of 300 a day in September, but

See SOMALIA, Page 6

In Russian Power Shift, An Unfinished Agenda

By Michael Dobbs Washington Post Service

MOSCOW — When Yegor T. Gaidar accepted the task of putting Russia on the road to capitalism, he described himself as a political kamikaze. His main goal, he said, was not to cling to office but to ensure the irreversibility of the reforms.

After a year of free-market policies, Russia is in many ways a very different country from the one that Prime Minister Gaidar and his government inherited. Prices have been freed. The communist system of centralized distribution has been largely dismantled. Money has replaced barter as the driving force of the economy. Moscow and other large cities have been transformed by the presence of tens of thousands of street traders.

At the same time, there is a lot that the Gaidar government has been unable to achieve. Large-scale privatization is only beginning to get under way. Entrepreneurial energies have been channeled into trade rather than production. By failing to meet inflation and budget-deficit targets set by the International Monetary Fund, the government has failed to lock Russia into the "virtuous cycle" that could have opened the door to massive foreign investment and the radical restructuring of the economy.

Mr. Gaidar, who formerly was a commentator for the Communist Party newspaper Pravda, is likely to go down in Russian history as the man who drove the last nail into the coffin of communism. But that is very different from building capitalism. As

he leaves office, sacrificed by President Boris N. Yeltsin in his battle with conservative legislators, there is a sense that the task of building a stable free-market democracy has only begun.

"Everybody knew that this government would be forced to step down sooner rather than later," said Leonid Guzman, a political scientist and adviser to the Gaidar team. "But right up until the last minute, they hoped to get another three or four months, which might have allowed them to build the basis of a healthy economy."

In the view of most analysts here, Mr. Gaidar's ouster is likely at the least to mean a slowing of the economic plan and could signal the beginning of a retreat. The new

prime minister, Viktor S. Chernomyrdin, is an industrialist steeped in the ways of the system that Mr. Gaidar sought to supplant. He has pledged to continue the changes, but not at the price of "the impoverishment of the people."

"This is an important change of economic strategy," said Viktor Sheinis, a liberal legislator and supporter of Mr. Gaidar's. "Chernomyrdin will favor a larger role for government in the economy. He is likely to put the emphasis on economic stabilization, and stopping the decline in industrial production, rather than financial stabilization."

Although Mr. Gaidar frequently was depicted as a cold-hearted monetarist, the political

See RUSSIA, Page 6

Russia's new prime minister is known as a hard-working, competent manager. Page 7

Leadership moves to reassure the West on plans for economic change. Page 2

A 'Bush Doctrine' on Applying U.S. Force

By Paul F. Horvitz International Herald Tribune

WASHINGTON — A month before leaving office, President George Bush set forth an expansive doctrine for U.S. involvement abroad Tuesday that places issues of morality on the same plane with promoting democracy and free markets.

Mr. Bush made the case as strongly as he had ever done during his presidency that U.S. leadership was crucial to world order and that a secure and democratic world was, in turn, crucial to U.S. security and economic growth.

The president, in a speech at Texas A & M University, where his presidential library will be built, also made the case more strongly than he had ever done that questions of morality and conscience should play a central role in the exercise of U.S. foreign policy.

With thousands of U.S. troops massing in Somalia on a humanitarian mission, Mr. Bush declared that a failure to act to bring food to starving Somalis "would scar the soul of our nation."

He warned Americans not to turn inward now that the Cold War has been won.

In calling for an activist U.S. foreign policy, which he has always supported, Mr. Bush set forth, for the first time, carefully prescribed criteria for sending U.S. forces abroad on humanitarian missions: It must be warranted, effective and limited in scope and time.

"The leadership, the power and, yes, the conscience of the United States of America are essential for a peaceful, prosperous international order, just as such an order is essential for us," Mr. Bush said. He called for the "patient and judicious application of American

leadership, American power and most of all, American moral force."

American leadership, he said, has been "indispensable" in promoting democracy and opening trade. The alternative to American leadership, he added, "is not more security for Americans but less."

"Our choice as a people is simple," the president said. "We can either shape our times or we can let the times shape us. And shape us they will at a price frightening to contemplate — morally, economically, strategically."

He continued: "Morally, a failure to respond to massive human catastrophes like that in Somalia would scar the soul of our nation. There can be no single or simple set of guidelines for foreign policy. We should help, but we

See BUSH, Page 6

'Bill Clinton Live': Not Just a Talk Show

By Thomas L. Friedman New York Times Service

LITTLE ROCK, Arkansas — Watching Bill Clinton moderate the first nationally televised economic talk show, Larry King sounded both envious and a little proprietary.

"Bill Clinton is a natural," said Mr. King, the host of a talk show on CNN. "He's just got to learn to move through the call-ins faster. I feel personally responsible for his growth and success. He's promised to appear on my show twice a year. Maybe I won't even have to be there now. Don't forget, he's a young man. He'll be looking for work in eight years, and I can see us going head to head: 'Larry King Live' and 'Bill Clinton Live.'"

Actually, the future is now. After an election year dominated by talk-show politics, Mr. Clinton has taken the medium one step further. The televised economic conference here was more

than just another campaign town hall meeting to gin up support for the Clinton agenda.

Mr. Clinton used the talk-show format in the service of something larger than the partisan political sound bite. His program was an experiment in political education, a president-

The Clinton team's dilemma: pump up the economy or trim the deficit? Page 3.

lect as seminar leader, employing not just the bully pulpit, but the bully blackboard.

"I am used to teaching large classes, but this is ridiculous," said Robert M. Solow, a Nobel Prize-winning economist, as he was introduced by Mr. Clinton at what amounted to a national session of Economics 101, broadcast by the C-Span cable television channel and National Public Radio, and from time to time by CNN.

It was impossible to imagine George Bush —

or even Ronald Reagan — playing the same role of moderator, questioner and teacher as Mr. Clinton did.

Seemingly off the top of his head, he discussed variations in immunization rates for children in different states, and in another breath, the contrast between hospital costs in Harlem and the rest of Manhattan.

"You watch Bill Clinton and you think he has a teleprompter in his head and he's just reading from it," said Vernon E. Jordan, chairman of Mr. Clinton's transition board.

But while this conference showcased the president-elect's professional talents, it is not clear how much the American viewing audience actually learned.

At its worst, the discussion bounced from subject to subject, much like a graduate seminar

See CLINTON, Page 6

Scramble Begins for Titanic Souvenirs

By Alan Riding New York Times Service

PARIS — Seven years after the sunken hulk of the Titanic was found by a French-American expedition off Newfoundland, France on Tuesday gave the owners of about 1,800 objects recovered from the wreck three months in which to claim their property.

A notice inviting claims was published Tuesday in newspapers in New York, London and Paris. Potential claimants can study photographs of the artifacts at the French embassies in Washington and London as well as the Merchant Marine Secretariat in Paris.

At a news conference Tuesday, the secretary of the merchant marine, Charles Josselin, said that any person able to offer proof of ownership of an item would also have to contribute toward the \$5.5 million cost of the expedition if he wished to repossess it.

"How much he pays will depend on the value of the object on the market," he said. "In many cases, it will be very little." He added that the collection did not contain enormously valuable pieces because the expedition was only able to reach the 3d Class section of the Titanic.

Under its contract with the French Institute for Maritime Research

organized in the summer of 1987 to recover artifacts from the wreck found two years earlier.

France became involved because the objects were brought here for safekeeping and restoration at a laboratory run by Electricite de France, the state-owned power utility. The restoration took two years, but plans to return the items to their owners were delayed by several court cases.

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See WRECK, Page 6



Secretary of State Eagleburger Tuesday in Stockholm. NATO drew up plans for possible military action in Bosnia. Page 2.

Klosk U.S. Indicts Fischer Over Sanctions

WASHINGTON (AP) — The former world chess champion Bobby Fischer was indicted Tuesday on a charge of violating U.S. economic sanctions against Yugoslavia by playing in a \$5 million match in Serbia. A warrant has been issued for his arrest, but Mr. Fischer, an American citizen, reportedly has remained in Yugoslavia. Mr. Fischer, 49, won \$3.35 million in the match against Boris Spassky, which concluded last month. If convicted, he faces up to 10 years in prison and a fine of \$250,000. He was told by U.S. officials in August that his participation would violate the law.

Table with market data including Dow Jones (Down 7.84), Trib Index (Down 0.15%), and The Dollar (New York, Tues. close previous close).

NATO Drafts Contingency Plans for UN Bosnia Intervention

New York Times Service

Responding to a request from the United Nations secretary-general, the NATO allies have begun drawing up plans for further military action, including enforcement of "no-fly" zones, to halt the bloodshed in Bosnia-Herzegovina, NATO officials said Tuesday.

The officials said the request by the United Nations chief, Boutros Boutros Ghali, was debated Monday by NATO ambassadors in Brussels who ordered their military staffs to prepare contingency plans that could be implemented once the Security Council gives its go-ahead.

The plans are to be discussed when foreign ministers of the 16-nation North Atlantic Treaty Organization gather at the alliance's Brussels headquarters on Thursday and Friday for a previously scheduled closed-door meeting.

Under NATO's coordination, allied warships are already involved in a naval blockade of Serbia and Montenegro in the Adriatic aimed at enforcing a UN-backed trade embargo of the rump states of former

Yugoslavia. So far, however, the embargo has not forced Belgrade to change its policies.

The new focus at NATO is on the use of air power, first to prevent Serbian aircraft from supporting Bosnian Serb ground units and then perhaps to strike at Bosnian Serb artillery positions pounding Sarajevo and other Bosnian Muslim communities. The Netherlands has already offered to send a squadron of F-16 fighter planes to the region.

NATO officials said the alliance's major powers — the United States, France and Britain — were facing strong domestic pressure to act more forcefully in Bosnia-Herzegovina, but all three had reservations about how deeply they should become embroiled in the conflict.

While supporting the naval blockade, the United States has sent no ground troops to join the UN peacekeeping force in former Yugoslavia. In contrast, France and Britain, with 5,000 and 2,000 soldiers on the ground, fear air strikes may bring reprisals against their troops.

But the officials said that all three countries had

nevertheless backed Mr. Boutros Ghali's appeal for further NATO assistance and were willing to study ways of intensifying the military pressure on Belgrade and Bosnian Serb militia units.

70 Die in Fighting

There was widespread fighting in Bosnia-Herzegovina on Tuesday, including air attacks in violation of the UN-mandated no-fly zone, on the eve of renewed talks between the warring parties in Geneva, according to reports in Sarajevo, Agency France-Press said.

In Sarajevo, the BFP said that Yugoslav Army planes attacked eight times and bombed three districts in Srebrenica-Bratunac and Vlasenica in eastern Bosnia, near the border with Serbia, on Monday. A total of 70 civilians were killed, including 18 children. There was also shelling from long-range artillery based in Serbia, the agency said.

The report could not be immediately confirmed.

In Zagreb, the Croatian HINA news agency said that the northern Bosnian city of Gradacac and several villages to the west of the city were attacked by

Serbian shelling and that there were Serbian infantry movements in the area.

HINA also reported air activity saying that Serbs used helicopters and trucks to bring in reinforcements from Brestovak Samac and Modrica, both north of Gradacac.

It also reported shelling of towns in northern Bosnia, in the vicinity of Brsko.

There was infantry and artillery action around Bihać in northwest Bosnia, HINA said.

HINA's reports were confirmed by Bosnian reports in Sarajevo.

In Sarajevo, the Bosnian military command said it had further advanced on Zuc Mountain, taking the strategic hill of Golo Brdo.

Meanwhile, the leading Croatian in the seven-member Bosnian presidency, Franjo Boras, said that if Alija Izetbegovic, a Muslim Slav, continued as president, there would have to be a non-Muslim foreign minister, according to a television report citing a correspondent in Mostar, in southwestern Bosnia. A new president is to be chosen.

WORLD BRIEFS

As Honecker's Liver Cancer Spreads, His Lawyer Predicts He'll Be Freed

BERLIN (WP) — The former East German leader, Erich Honecker, has a liver tumor that will kill him by spring, a court-appointed physician said Tuesday, leading Mr. Honecker's lawyer to predict that his client will go free by Christmas.

The health problems of the 80-year-old Communist hard-liner, who faces manslaughter charges stemming from the killing of more than 200 East Germans who tried to escape to the west over the Berlin Wall, have already slowed Mr. Honecker's trial.

But now a cancer specialist, Dr. Jörg Kirstädter, has concluded that Mr. Honecker has three to six months to live, and that he will be unable to take part in his trial as early as next month. The physician said the liver tumor, measuring 11 centimeters wide, or four inches, is growing quickly. He added that radiation therapy could extend Mr. Honecker's life by a few months. But Mr. Honecker has refused the treatment.

The trial, which began Nov. 12, was expected to last at least two years, as prosecutors lay out details of East German government decisions that led to the building of the Berlin Wall and the establishment of shoot-to-kill orders for border guards.

Salvadorans Celebrate War's End

SAN SALVADOR (Reuters) — El Salvador's government and leftist guerrilla leaders celebrated the end of a 12-year civil war on Tuesday, pledging to leave behind the hatreds that killed 75,000 people and tore their society apart.

"The armed conflict in El Salvador has come to an end," said the UN secretary-general, Boutros Boutros Ghali, at an emotional ceremony attended by government, rebel and military chiefs, as well as Vice President Dan Quayle and Central American heads of state. Thousands of civilians waved national flags.

The rebel Farabundo Martí National Liberation Front demobilized the last of its 8,000 guerrilla combatants on Monday, putting an end to two decades of armed struggle. In return, the government has legalized the front as a political party. It has also pushed through political changes and military cuts, begun extensive land transfers and dissolved paramilitary security forces and army battalions blamed for massive human rights abuses. A purge of dozens of armed forces officers implicated in human rights atrocities is to be carried out this month.

New Delhi Imposes Rule in 3 States

NEW DELHI (NYT) — Moving to smash Hindu fundamentalist political power, the Indian government dismissed the governments in three northern states on Tuesday night. A fourth government was removed from power Dec. 5 after a mob of Hindu fundamentalists razed a 16th-century mosque in the holy town of Ayodhya.

The dismissal of the three state governments in Madhya Pradesh, Rajasthan and Himachal Pradesh, and the imposition of rule from New Delhi is certain to push the country into more political turmoil after a week of sectarian rioting that has left more than 1,200 people dead.

The action came as Indian police conducted sweeps around the country, arresting members of Hindu and Muslim sectarian organizations as part of government effort to restore order. Six days ago, Prime Minister P.V. Narasimha Rao declared illegal five sectarian groups, three of them Hindu fundamentalist and two Muslim.

Michigan Doctor Helps 2 More to Die

AUBURN HILLS, Michigan (AP) — Dr. Jack Kevorkian helped two women kill themselves on Tuesday — the same women who had appeared with him earlier this month to argue publicly for his right to do so, his attorney said.

Marguerite Tate, about 60, and Marcella Lawrence, 67, from Mount Clemens, died at Mrs. Tate's home in this Detroit suburb, said the The action came as a bill to outlaw assisted suicide in Michigan awaited Governor John Engler's signature.

The two bring to eight the number of women that Dr. Kevorkian has helped to die since 1990. Dr. Kevorkian has battled legal officials and waged a public campaign to win approval of "medicines" in which doctors can help the terminally ill commit suicide. An investigator with the Oakland County medical examiner's office said the office was notified that two women had died by inhaling carbon monoxide gas.

TRAVEL UPDATE

9 EC Countries Ease Border Checks

MADRID (Reuters) — Nine European Community countries announced approval Tuesday of a passport sticker allowing them to abolish border controls for their own nationals and most other visitors.

The move means that travelers from most countries with a visa to visit any one of the nine so-called Schengen group states will be able to enter the others without checks, said Carlos Westendorp, Spain's secretary of state for the EC. Nationals from the nine countries will also be able to move freely through one another's territories with the hologrammed label.

The Schengen treaty, named after the village bordering Luxembourg, France and Germany, was originally to take effect at the beginning of 1992. It has been delayed and has grown from the original five signatories to include all EC states except Britain, Denmark and Ireland.



FOOTLOOSE AND TRANSIT-FREE — A would-be rail passenger on a deserted platform at the Gare de Lyon in Paris on Tuesday. Services across France, as well as suburban services in major cities, were heavily disrupted by a rail workers' strike. The stoppage was called to protest the jailing of a train driver found guilty of negligence in a 1988 accident in which 56 passengers died.

More than 1.5 million Spanish civil servants began a 24-hour nationwide strike Tuesday to protest a proposed wage freeze, in the second massive walkout in less than a month, a union spokeswoman said. The stoppage affected ministries, city councils, hospitals, postal services and schools. (AP)

A 24-hour strike by Air France flight and ground crews Tuesday disrupted medium-haul flights, but long-range flights went ahead on schedule, the airline said. In Nice, about 100 employees occupied the airport tarmac to prevent the takeoff of a Paris-bound flight belonging to Air-Inter, Air France's domestic affiliate.

Kiwi International Airlines will offer passengers a chance to buy six one-way fares for the price of five on its flights linking Newark, New Jersey, Atlanta, Orlando, Florida, and Chicago. The pack of tickets costs \$590. (AP)

Earlier Warning of Breast Cancer

BOSTON — Researchers have made a major advance in developing an early warning system that spots women at risk from breast cancer, according to a report released Tuesday.

The work has created a simplified method for detecting gene abnormalities that can increase the risk of cancer, according to scientists at the Massachusetts General Hospital writing in the current issue of *Cancer Research*.

The test looks only at the state of a gene thought to help ward off cancer. But researchers hope the system can be used for other genes.

"We can now imagine a time when one might eventually be able to screen large numbers of people to see whether they have specific genetic susceptibilities to develop cancer," Dr. Stephen Friend said in a statement released by the hospital.

New Yeltsin Choice Stresses Continuity

Prime Minister Says Trend Of Reforms Won't Be Altered

By Steven Erlanger
New York Times Service

MOSCOW — As Russia tried to understand an altered political landscape Tuesday, after President Boris N. Yeltsin was forced to abandon his acting prime minister and architect of his economic reforms, attention turned to two men who emerged from the struggle with enhanced influence: Viktor S. Chernomyrdin, the relatively unknown new prime minister, and Russian I. Khasbulatov, the ambitious speaker of the legislature.

They are from the same generation, but took very different paths to power, and in separate press conferences Tuesday they appealed for calm and consensus, but with radically different tones.

Mr. Chernomyrdin, 54, was humble and brief. A heavy-set manager with little political experience, he seemed embarrassed by all the new attention and stressed continuity, saying that he was committed to the reforms, which he had helped to draft in Mr. Gaidar's government, and that the "main trend" of the changes will be the same, "with no big jumps."

Speaking carefully and often using clichés of Soviet socialism, Mr. Chernomyrdin had few specifics to offer about policies or personnel. He said that auctions for the privatization of state companies would continue, that there would be no freeze on prices or wages, and that he favored "a variety of forms of ownership of land." And he urged members of the government closely associated with Mr. Gaidar, who are considering a mass resignation, "to continue to work calmly."

But Mr. Chernomyrdin stressed that there would be different priorities for the government, with a concentration on restimulating industrial production, and he repeated his view that "an economy of shopkeepers" could not bring Russia out of its crisis.

"Nothing is possible without heavy industry," he said.

His comments implied a significant slowing of any real structural change in the Russian economy, which is widely regarded in the West as overly dominated by inefficient, huge industries that produce

little of world standard at a great cost in raw materials and energy, and that employ far too many people to be profitable.

Mr. Khasbulatov, 50, a former professor who was unknown before being elected to the Russian legislature in 1990 as an ardent Yeltsinite, also talks about the revival of industrial production as the crucial task for Russia. But his main interest is political, and he has worked to strengthen the legislature's power, and his own, at the expense of Mr. Yeltsin and his government.

Mr. Khasbulatov has a good knowledge of parliamentary procedure, which he uses with both humor and cynicism, ramming through votes and cutting off speakers. He also knows the legislators' appetites, and through a careful management of perquisites within his control — like committee appointments, Moscow apartments and cars — he has built a constituency and power base that is particularly strong in the smaller standing parliament, or Supreme Soviet.

Mr. Yeltsin himself has admitted that he neglected to work the legislative committees and corridors well enough, failing to hold together even his previous constituency of liberal, pro-Western, market-oriented legislators, who were always a minority in the Congress of People's Deputies elected in 1990, when the Communist Party, though weakening, still held sway.

On Tuesday, Mr. Khasbulatov was loquacious and even smug as he praised the work of the Congress, "which for all its weaknesses, was a buttress of democratic development."

Widely viewed as seeking Mr. Gaidar's scalp, Mr. Khasbulatov damned him with faint praise, saying he was "a very nice and capable specialist" whose idea of economic reform was "price liberalization at any cost."

Mr. Chernomyrdin, Mr. Khasbulatov said, "has an exceptionally complicated task because it is necessary to sort out that chaos, the countless number of mistakes, the huge number of wrong decisions that created artificial difficulties for the previous government."



Chancellor Helmut Kohl of Germany escorting officers at a ceremony at the tomb of the unknown soldier in Moscow on Tuesday. Mr. Kohl and President Boris N. Yeltsin negotiated to speed withdrawal of Russian troops from Germany in exchange for a moratorium on part of Russia's debt.

Major Wary on Force Against Serbs

By William Schmidt
New York Times Service

LONDON — Despite growing pressure on Britain and its allies to step up military pressure in Bosnia-Herzegovina, Prime Minister John Major urged caution on Tuesday, warning that such action might endanger British troops now on the

ground helping to deliver food and relief supplies.

Mr. Major, appearing before the House of Commons, said Britain was discussing with its allies the possibility of using combat aircraft to shoot down any airplanes violating an air exclusion zone imposed earlier this fall by the United Nations. The UN resolution barred all military flights over Bosnia.

But Mr. Major said that any escalation in the level of military activity must be weighed "against the possible impact of that on the United Nations humanitarian effort and on the safety of our own troops."

He cautioned that in the end, the "main losers might well be the people of Bosnia." Britain has about 2,400 troops in Bosnia, where they are on duty under UN command, escorting relief convoys.

The prime minister was speaking in response to growing pressure from Britain's allies, as well as opposition political leaders in Britain,

urging him to endorse more aggressive military intervention in Bosnia in order to protect Muslim populations there from Serbian hard-liners.

The sharpening debate has come as Mr. Major is preparing to travel to the United States, where he is scheduled to discuss the situation in Bosnia with President George Bush.

The leader of the opposition Labour Party, John Smith, has called for "effective international action" to stop what he referred to as "appalling suffering" in the region.

Members of Mr. Major's own Conservative Party have also been taking a more hawkish line. Patrick Cormack, a member of Parliament, was one of several Conservative legislators who said they believed Britain needed to do more militarily.

"Unless firmer action is taken during the next three or four weeks, we could be moving toward a European Armageddon," Mr. Cormack said.

German Party Backs Accord To Tighten Laws on Asylum

BONN — The opposition Social Democratic Party on Tuesday approved the government's compromise accord to curb an influx of foreigners who have become targets of neo-Nazi violence.

The Social Democratic parliamentary group voted, 101 to 64, with five abstentions to approve the agreement with the government of Chancellor Helmut Kohl, paving the way for Germany's liberal asylum law to be tightened.

The deal had been thrown into doubt by calls from Social Democratic members linking amendments to Germany's asylum law to companion treaties with Poland and Czechoslovakia.

The treaties would enable Germany to return to Poland and Czechoslovakia, rather than to their homelands, asylum-seekers who had entered Germany via

those countries and who were refused the right to stay in Germany.

In the vote, the mainstream view prevailed that no formal link between the asylum law and the treaties should be made.

Once the changes are adopted, virtually no foreigner arriving in Germany from surrounding "safe third countries" — 90 percent of the more than 405,000 arrivals this year — would be eligible to claim asylum.

Meanwhile, the government said Tuesday that it had ordered an investigation into the far-right Republican Party as a possible anti-democratic group.

The party, led by Franz Schönhuber, a former officer of Hitler's Waffen SS, is the largest of dozens of far-right parties in Germany.

Interior Minister Rudolf Seiters said the Republicans were under observation by the Office for the Protection of the Constitution because there was reason to believe they could be "striving against the free democratic order."

The investigation is a first step toward a possible ban on the party. In East Berlin, suspected neo-Nazi painted swastikas and anti-Semitic slogans at the gravesite of Walther Rathenau, the Jewish foreign minister of Germany who was assassinated by rightists in 1922, the police said Tuesday.

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TRANSITION / RUNAWAY MEDICAL COSTS

Clinton Team Dilemma: Pump Up Economy or Trim Deficit?

★ POLITICAL NOTES ★

The Inaugural Parade to March to a New Beat

WASHINGTON — In what probably will go down in the record books as the most unusual mix of inaugural participants, Bill Clinton's parade and pre-parade entertainment on Jan. 20 will feature a precision lawn chair marching team, a reggae band and two Elvis Presley impersonators — stand-ins for the young "King" and the old, tubby one.

The Presidential Inaugural Committee, in announcing the lineup for the day's inaugural celebration, said the parade and other festivities would have the traditional marching bands, military squadrons and equestrian units but would include a wider variety of performers and participants than before.

The inaugural planners have invited the Lesbian and Gay Band of America; the Sounds of Silence, a group of hearing-impaired young adults who use sign language to communicate lyrics from live music; a contingent of former Peace Corps volunteers; residents from McCrossan Boys Ranch, a home for wayward boys; and a high school band from Homestead, Florida, whose school was destroyed in the hurricane there last August.

Mr. Clinton's official inaugural slogan is "An American Reunion — New Beginnings, Renewed Hope."

Clinton Showing Caution in Filling Trade Post

WASHINGTON — Glaring in its absence from last week's naming of Bill Clinton's economic policy team was a candidate for the critical job of U.S. trade representative. Mr. Clinton apparently is having trouble deciding not only whom he wants to fill the post, but also what he wants to do about two key trade negotiations that are close to completion: the North American Free Trade Agreement and the 108-nation Uruguay Round of GATT talks.

Mr. Clinton's choice for trade representative will be a signal of where he intends to go with these talks. It also will signify much about how he intends to approach the question of the U.S. economic relationship with Japan.

A black woman physician, meanwhile, said that Mr. Clinton had asked her to be the senior U.S. public health official. "I told him I'll take it," said Joycelyn Elders, the director of the Arkansas Department of Health, in accepting the offer to become U.S. surgeon general. She noted, however, that the present surgeon general, Dr. Antonia C. Novello, had 18 months remaining in her four-year term. She said she did not know if Mr. Clinton would ask for Dr. Novello's resignation. (LAT, Reuters)

Limits on Increases in Drug Prices Planned

WASHINGTON — Bill Clinton's transition team has put the drug industry on notice that he intends to limit increases in prescription drug prices as part of any plan to revamp the U.S. health care system.

Aides to Mr. Clinton met recently with drug company executives, described his ideas and invited their reaction. Details of the meeting were provided on Monday by Clinton aides and company executives.

One of Mr. Clinton's ideas is to make prescription drugs available to all Americans as part of a standard package of health benefits, which employers must provide to employees. Another idea, part of the same plan, is to set guidelines for drug prices in an effort to ensure that they do not rise faster than other consumer prices. (NYT)

Quote/Unquote

George Stephanopoulos, the Clinton transition communications director, on the economic conference in Little Rock, Arkansas: "Now is the winter of our content."

Away From Politics

- Riot policemen arrested 60 people in Los Angeles after demonstrators threw rocks and bottles and looted a gas station at an intersection where riots began in April. The police said one man was killed while trying to protect his store from looters and 12 people were slightly injured during the disturbance.
- A wave of attacks on Jews in New York City has prompted Jewish groups to call for more measures to end the violence. In four separate incidents, a Hasidic man, 62, was stabbed in the stomach; three youths, all 18, were attacked while anti-Jewish remarks were yelled out; a woman ordered her dog to attack a man, 33, and anti-Semitic graffiti was found in a housing complex.
- Thousands of houses damaged in the hurricane that hit southern Florida in August were poorly designed, badly built and inadequately inspected, a Dade County grand jury said in a report on what it termed shoddy practices that contributed significantly to the country's most costly natural disaster.
- The Supreme Court has agreed to decide whether the constitution permits states to increase sentences for crimes like assault or vandalism if the victim was selected because of race, religion, ancestry or the like. Six months ago, the court ruled that states may not designate particular expressions of bias as crimes.
- A man was sentenced to a maximum 10 years in prison under a new Louisiana law for failing to warn a woman with whom he had sexual intercourse that he was infected with the virus that causes AIDS. Salvatore Gamberella, 28, was the first person to be convicted under the law.
- The former head of the "Flying Dragons," one of the largest gangs of extortionists and drug traffickers in New York's Chinatown, faces a maximum sentence of life in prison for smuggling more than 400 pounds (180 kilograms) of top-quality heroin into New York. Johnny Eng, 36, was convicted of importing the heroin from January 1987 to September 1988.
- An alleged Irish nationalist guerrilla, who escaped from a prison in Northern Ireland in 1983, turned himself in to U.S. marshals in San Francisco after a U.S. Appeals Court had revoked his \$1.5 million bail and ordered him back into custody. Britain is seeking the extradition of the suspect, James Smyth, 38, who it alleges is a member of the Irish Republican Army.
- A student armed with an assault rifle killed a teacher and a fellow student and wounded four people at Simon's Rock College, an exclusive school for the gifted, in Great Barrington, Massachusetts, the authorities said. The Berkshire County district attorney said that Wayne Lo, 18, a second-year student from Billings, Montana, was arrested.

By Lawrence Malkin
International Herald Tribune

NEW YORK — By their questions and remarks at Bill Clinton's economic teach-in, the new administration's economic team on Tuesday disclosed its principal short-term preoccupations: the dilemma between stimulating the economy and cutting the budget deficit, and how to deal with the worldwide economic downturn.

The president-elect started the second and final day of televised economic discussions in Little Rock by noting IBM's latest downsizing announcement and commenting, "Product development will be cut by \$1 billion — the exact thing we don't want to be cutting."

Two leading economists, Allan Sinai of the Boston Company and a Nobel laureate, James Tobin of Yale, urged a short-term economic stimulus as one way of increasing jobs, tax revenue, and growth that would provide a basis for an iron-clad deficit-cutting plan.

Mr. Clinton made it clear that he had not made up his mind whether to propose a short-term stimulus plan now that the economy was recovering slowly. He said it would be "a very tough call" because it might divert resources from long-term investment and warned his advisers, sitting around the table with him, not to get "fixated" on the questions that involve billions more dollars "and are already out there" — in particular spiraling medical costs.

"If you don't get growth," he said, "I don't care what our budget plan says, the deficit will be bigger than we estimate because the revenues won't come in to support the



President-elect Clinton listening Tuesday to Erskine Bowles, a banker, on the second day of the economics conference in Little Rock.

new package." He added: "I don't mean we shouldn't do the stimulus. I haven't made the decision yet about how much and what."

He also warned that investment must be increased to make up for the shortfall of the 1980s — and that recession in Europe and Japan will cut U.S. exports, which "argues again for a big increase in domestic investment to increase income and growth here."

Leon E. Panetta, the designated budget director, Senator Lloyd Bentsen, designated treasury secretary, and Robert B. Reich, designated labor secretary, all questioned the economic panel on how much and how long any stimulus should last.

Mr. Bentsen, repeating a theme he began developing Monday in response to academic suggestions of increased international coordination, said the United States had to "reinvigorate the Group of Seven to try to work out a monetary policy that will avoid recession in Europe and this country."

Mr. Clinton revealed his awareness of the problem in the folksy language he often prefers. After listening to three distinguished academics offer gloomy outlooks for the world economy in the short term, the present political and monetary disarray in Western Europe, and the prospects for economic reform in Eastern Europe, Mr. Clinton said:

"If we don't devote sufficient time to all these issues, when the wheel runs off the road we may be consumed with these matters so that we can't do anything we were elected to do."

They also engaged in some thinking out loud about the dollar,

with businessmen and Mr. Clinton recalling the high-interest, strong-dollar policy of the first half of the 1980s, which Mr. Clinton blamed on the Reagan administration's need to finance the government's deficit at the cost of damaging foreign markets for American exporters. He said that made the idea of a cheap dollar as an aid to exporters an attractive but not permanent policy option.

Statements by labor and management representatives were less even-handed. Union leaders complained that their members had suffered in global reconstruction of industry, while several business spokesmen spoke up for their own industries — the head of Lockheed for "a level playing field" against the European Airbus, which he attacked for its subsidies; a cable television entrepreneur for easier entry into Continental Europe, and the spokesman for a toy company

for continued tariff preferences for its Chinese suppliers.

■ **Health Care a Priority**

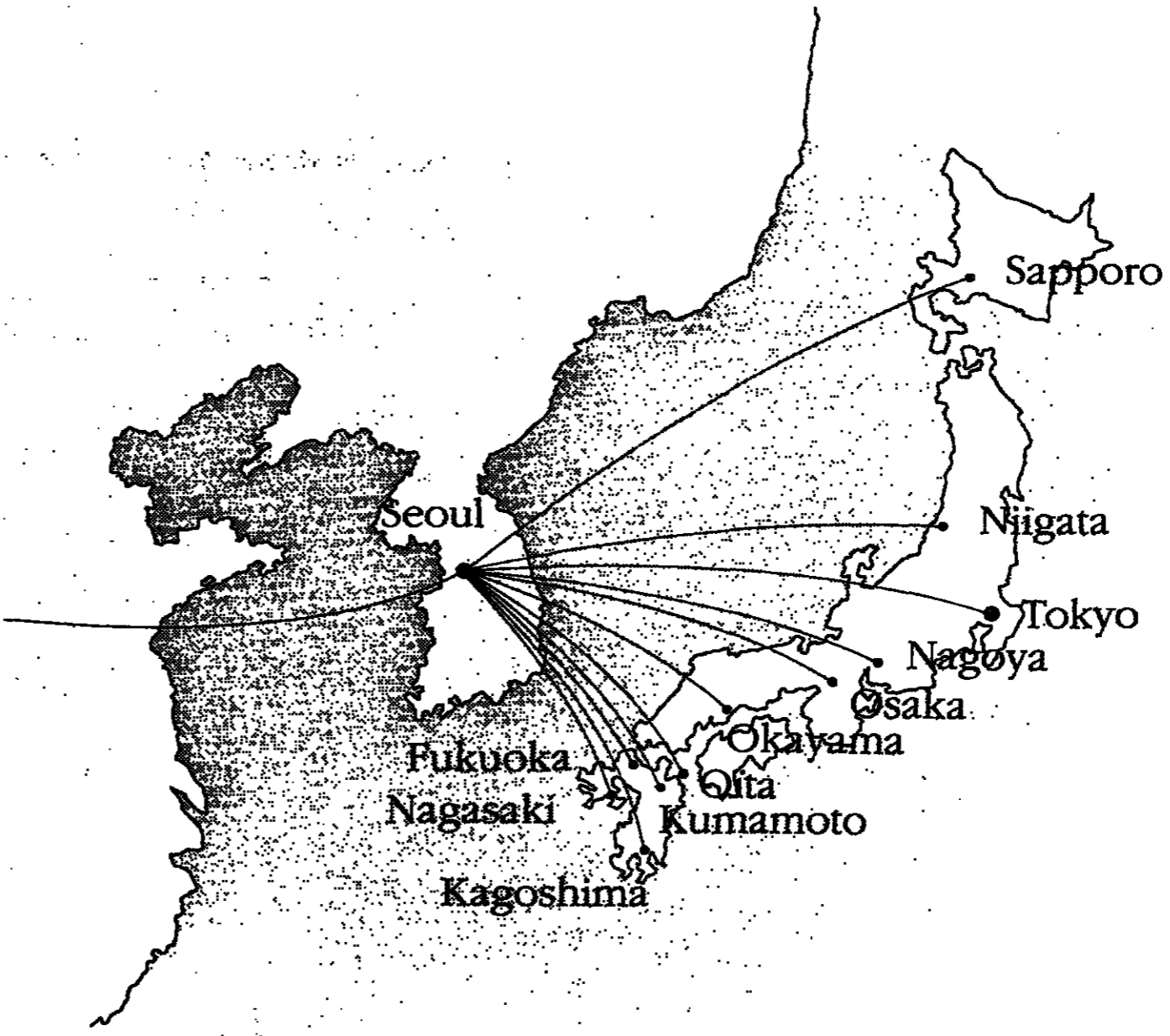
Mr. Clinton also said Tuesday that his administration could not seriously attack the federal budget deficit or make much progress in reviving the economy without getting health care costs under control. The Associated Press reported.

Mr. Clinton, repeatedly pounding his fist on the table, said that the amounts of stimulus being discussed were small in comparison to the enormity of other problems such as rising health care costs.

"We are kidding each other," he said. "We are all just sitting here making this up if we think we can fiddle around with entitlements and all this other stuff and get control of this budget if we don't do something on health care."

"It is a joke. It is going to bankrupt the country."

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Hanoi Presses U.S. To Drop Sanctions

Compiled by Our Staff From Dispatches
HANOI — Vietnamese officials have welcomed a U.S. decision to ease an embargo by allowing American companies to set up offices in Vietnam, but they urged Washington on Tuesday to lift sanctions and normalize ties with Hanoi.

"We welcome the news and it is an encouraging gesture, but the U.S. side must go further," said Ho Xuan Dich, head of a Vietnamese Foreign Ministry office helping U.S. experts resolve the fate of American servicemen missing from the Vietnam War.

"If the two sides normalize ties, it would create favorable conditions for solving the MIA issue," he said at the Hanoi airport before handing over military remains of Americans killed before the war ended in 1975.

The White House announced on Monday that American companies could now set up offices in Vietnam, hire staff and sign business contracts that would take effect if and when the embargo was lifted.

Some diplomats in Hanoi said the partial lifting of the embargo would result in a surge of foreign investment in the country, if only to forestall the Americans.

Le Bang, head of the ministry's America department, said Washington's move was a step in the right direction for Vietnam and the United States, which have no diplomatic ties.

But he added: "It is a little bit puzzling to the Vietnamese companies, because if they are going to sign contracts with the American companies and wait an indefinite time for those contracts to take effect, it will be discouraging."

Another Vietnamese official said that Hanoi, as well as American and other businessmen, wanted the embargo lifted completely.

"Every step now is moving forward and is significant," he said. But he added: "It's not over yet. This is emotional."

American and foreign businessmen as well as ordinary Vietnamese welcomed the news that Washington had eased the embargo.

"I'm excited that finally American firms will be able to be competitive with firms from other countries," said Eugene Matthews, an American businessman living in Hanoi.

Former Prime Minister Bob Hawke of Australia, who was in Hanoi heading a foreign business delegation, said the U.S. move was a welcome step toward lifting the embargo.

He said the United States seemed to have recognized what other nations already acknowledged: that Vietnam was helping the UN peace plan in Cambodia and cooperating on the MIA issue.

Washington has made cooperation in those areas conditions for lifting the embargo and normalizing relations with Hanoi.

The United States imposed the embargo on Hanoi in 1964 and extended it to a reunified Vietnam in April 1975, after the Communist victory over the U.S.-backed government in Saigon.

Mr. Matthews, the president of Ashta International, a U.S.-based investment and consulting firm, said that at least 100 big American companies had been to Vietnam this year. He expected some to move quickly to sign contracts.

(Reuters, AFP)



BUILDING ANEW — A woman carrying a plank to help build a shelter after the earthquake Saturday destroyed her home in the Indonesian coastal town of Mammeru, one of the worst-hit areas. The army began mass burials for some of the nearly 2,500 who died in the quake and tidal waves that swept hundreds out to sea on Flores and two nearby islands in East Nusa Tenggara Province.

Andy Kirk Dies at 94, Led Clouds of Joy Big Band

New York Times Service
NEW YORK — Andy Kirk, 94, one of the last surviving orchestra leaders from the big-band era, died Friday at his home in Harlem. He had Alzheimer's disease.

Mr. Kirk was a contemporary of Duke Ellington, Count Basie, Fletcher Henderson and Jimmy Lunceford. Although his *Clouds of Joy* never reached the fame of those bands, he ran one of the best orchestras in jazz, a band with sophisticated soloists, intelligent arrangements and the Kansas City sound.

Mr. Kirk was born in Newport, Kentucky, in 1898 and grew up in

Denver. By 1927, he had quit his job in the post office and joined Terrence (T) Holder's band, the *Dark Clouds of Joy*, in Dallas. After the band broke up, Mr. Kirk took over its remnants, changed the name and secured work in Oklahoma City.

There he was heard by the band leader George E. Lee, who offered the band work in the rich entertainment world of Kansas City. Mr. Kirk and the band relocated there.

In 1936, Mr. Kirk's band had a hit with "Until the Real Thing Comes Along," cementing its status as an attraction. Mr. Kirk had a

fine ear for musicians, and before his band broke up in 1948, he had used the talents of Charlie Parker, Claude (Fiddler) Williams, Dick Wilson, Fats Navarro, Thelonious Monk, Howard McGhee, Don Byas, Ben Webster, Lester Young and many more.

Ellis G. Arnall Dead at 85, Former Governor of Georgia
NEW YORK (NYT) — Ellis G. Arnall, 85, who sliced through red tape and Southern tradition as governor of Georgia from 1943 to 1947, died of pneumonia Sunday in Atlanta.

A Democrat, Mr. Arnall compiled a progressive record in his term as governor.

He won a fight to abolish the 51-a-year poll tax as a voting requirement, lowered the voting age to 18 and took his case for fair freight rates in the South to the U.S. Supreme Court. He was elected governor when he was 35 and was considered the boy wonder of Georgia politics.

William H. Avery, 87, a partner and chairman of Sidley & Austin, one of the largest U.S. law firms, died Saturday in Winnetka, Illinois.

Laboring Hard At an Apology

Reuters
TOKYO — Labor Minister Masakuni Murakami made apologies of a sort on Tuesday for criticizing foreigners' work habits, saying he had been misunderstood.

According to Kyodo news agency, he told reporters on Monday: "Foreigners do not work. That is why they are economically being left far behind Japan and Germany."

At a news conference Tuesday, Mr. Murakami said: "I wanted to say that economic development by resource-poor Japan was due to diligence."

A Last Republican Hurrah in Beijing Stirs a Fuss

By Daniel Southerland and R. Jeffrey Smith
Washington Post Service
WASHINGTON — Commerce Secretary Barbara H. Franklin will begin a four-day trip to Beijing on Wednesday amid dispute involving the members of her delegation and two impending sales of U.S. technology to China.

The announced goal of Ms. Franklin's trip is to advance U.S. business relations with China, but the trip has raised eyebrows among some because it comes less than seven weeks before key decisions will be turned over to Bill Clinton when he is inaugurated as president.

A Commerce Department official said that 16 officials were traveling on Ms. Franklin's plane, including nine political appointees, and that they would be joined by 11 more political appointees who went ahead of the secretary to Beijing.

A Commerce Department spokesman, Mark Miner, said, "For security reasons, we traditionally have not released the names of U.S. government delegation members."

Mr. Miner said delegation members come from the Com-

merce and State departments, the office of the U.S. trade representative and the National Security Council staff and would be engaged in several high-level meetings.

Senator Jesse Helms of North Carolina, the senior Republican on the Foreign Relations Committee and a strong critic of the Bush administration's China policy, suggested that the Republican National Committee rather than U.S. taxpayers pay for Ms. Franklin's trip.

Ms. Franklin had planned to announce a U.S. decision to approve the first export of a supercomputer to China during her visit, but the administration deferred a decision after an internal dispute that pitted officials worried about its potential military use against those eager to improve U.S. trade.

U.S. officials said last week that the Bush administration also planned to allow a sale to the Chinese military of U.S. technology that China needs for jet engines to power its own training aircraft and for a ground-attack bomber that China intends to export to Pakistan.

The proposed sale of the engine technology provoked protests at the Defense Department, where some analysts

said the jet engines and related gear could be used to power Chinese cruise missiles.

An aide to Mr. Helms said that the national security adviser, Brent Scowcroft, assured the senator that neither the supercomputer nor the jet engine technology would be offered to China during Ms. Franklin's visit.

Clinton on China's Trade Status
 President-elect Bill Clinton says he does not think it will be necessary to revoke most-favored-nation trading status for China if it continues to make progress on human rights and other issues, Reuters reported from Little Rock.

"I don't think we'll have to revoke the MFN status," Mr. Clinton told his national economic conference Monday, "if we can achieve continued progress along these lines."

He said the Chinese had agreed recently to stop exporting products made by prison labor to the United States, and to open Chinese markets to some American products, after the Bush administration finally agreed to put a little heat on the Chinese.

Burma Hints at Trial For Dissident Leader

By Philip Shenon
New York Times Service
RANGOON, Burma — Daw Aung San Suu Kyi, the Burmese dissident who won the 1991 Nobel Peace Prize and who has been under house arrest here for more than three years, is not in a hunger strike, and she may yet face a criminal trial, the government said.

"We can put her on trial anytime we like because we have lots of evidence which can be used against her," said Colonel Ye Htut, a spokesman for the junta that controls Burma.

He said that the government had resisted a criminal trial until now because Daw Aung San Suu Kyi, who was placed under house arrest in 1989 as she campaigned to bring democracy to her homeland, is the daughter of the country's assassinated independence leader, Aung San.

"Since she is the daughter of our national leader, our beloved leader, we will not put her on trial at this time," Colonel Ye Htut said, noting that Daw Aung San Suu Kyi was being held under house arrest on charges of "disturbing the peace."

Asked whether she would be put on trial in the future, he said, "It depends on her."

In a meeting on Monday in Rangoon, the capital, eight senior government spokesmen offered the junta's most detailed account in more than a year of the conditions of Daw Aung San Suu Kyi's house arrest.

The spokesmen disputed assertions by her husband that Daw Aung San Suu Kyi was refusing to accept food as a protest over her imprisonment in her family's lakeside compound in Rangoon.

"She is not on a hunger strike, and her health is good," said Lieutenant Colonel Kyaw Win, deputy director of Burma's Directorate of Defense Services Intelligence.

Her husband, Michael Aris, an Oxford University scholar who last visited his wife in August, said last month that Daw Aung San Suu Kyi had decided not to accept any more assistance from family, friends and the junta, including food, to protest her confinement.

"She is facing a situation where she is running out of food and money," Mr. Aris said.

Colonel Ye Htut described Mr. Aris' account of his wife's situation as "completely incorrect."

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ISRAEL: Soldier's Body Is Found

(Continued from page 1)

Repeated attempts on Tuesday to find out from Israeli officials why Mr. Shriteh had been detained were unavailing. Uri Dromi, director of the Government Press Office, which had issued official credentials to the Palestinian reporter, said he also had not been told the reason for the arrest.

Mr. Shriteh, a leading journalist in Gaza, was held for 38 days last year for sending faxes of Hamas leaflets to Reuters, leading to army charges that he had kept a fax machine illegally and had given aid to an enemy organization. Most of his time under arrest was spent in solitary confinement.

Human Rights Watch, a New York-based group, sent a letter on Tuesday to Prime Minister Yitzhak Rabin, expressing its concern for Mr. Shriteh's well-being.

It was not clear if the mass Hamas arrests involved specific suspects or was instead a general roundup of people who may not be held for long. In addition to the arrests in Gaza and the West Bank have been closed for the last two days.

Discussing the Hamas roundup in the Knesset on Tuesday, Mr. Rabin pledged that his government would continue to "strike unmercifully" against the group but would not be goaded into giving up on the peace negotiations under way in Washington.

The prime minister was clearly on the defensive, for the recent explosion of violence has undermined his election promise last spring to guide Israel toward a peace agreement while preserving Israel's security. He has come under withering attacks from rightist opponents for having made concessions to the Palestinians that, in their view, make Israel look weak and vulnerable to still more violence.

"This terrorism reflects the national and religious Arab fanaticism to exterminate us, to murder Israelis and murder the entire Zionist idea," said Benjamin Netanyahu, the presumed front-runner to become the Likud party's next leader.

Syria Ends Visas For Exiting Jews

NEW YORK — Syria has stopped issuing exit visas to Jews living in the Arab country, sources close to the immigration movement say. The sources said that the Syrians allowed about 75 percent of the country's 4,000 Jews to leave since April but stopped issuing visas about two months ago.

A U.S. State Department official confirmed that Syria had stopped issuing visas and said that the matter had been raised at "the highest levels." She added that Syria denied any change in policy.

The sources said they believed the visas were stopped because Syria might be seeking a bargaining chip in its dealings with the incoming Clinton administration.

WRECK: Scramble for Souvenirs

(Continued from page 1)

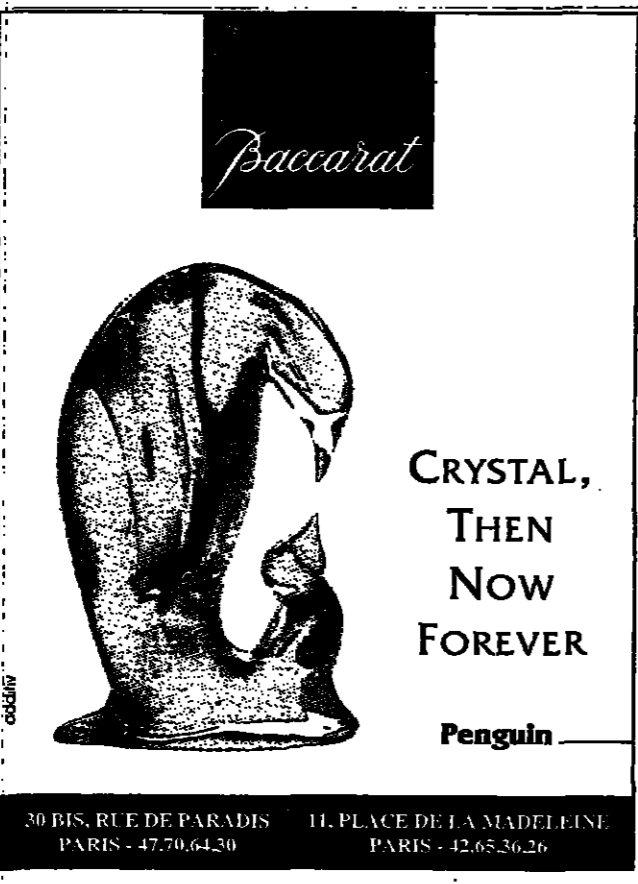
and Exploration, which carried out the expedition with a manned minisubmarine, Titanic Ventures agreed not to sell any artifacts brought up from the wreck, but it can organize exhibitions and charge an entry fee. Individual owners, though, will be allowed to sell any items they now recover.

Mr. Josselin nonetheless anticipated conflicting claims of ownership.

Identifying ownership will be difficult. Four tie pins carry the initials "R.B.," some leather goods identify where in London and Paris they were acquired and numerous bottles display the names of the oils, dyes and lotions they once carried, but invariably there is no hint of ownership.

Indeed, while some of the jewelry may have more intrinsic value, the items' principal worth is simply that they come from the Titanic and, as such, may interest collectors.

"What most struck me," Mr. Josselin said, "is that in such a long list of day-to-day objects, there was nothing made of plastic. That, if nothing else, shows how much times have changed."



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Snapshots of Mogadishu: At Least One Touch of Normality

By Donatella Lorch
New York Times Service

MOGADISHU, Somalia — Idriss Hassan received his last paycheck three years ago. Still, every day from 7 A.M. until 3 P.M., he works as a traffic policeman, guiding cars, camels, trucks, and people through one of Mogadishu's trickiest intersections.

It is not only a difficult task but, in a city without any form of government, electricity, or phones, it is an unusual touch of normality.

The traffic light has been dead for more than a year, and the intersection, on a main avenue about a mile from the U.S. Embassy compound, is more like a bumper-car arena. Dented mini-vans, their headlights, windshields, windows, and doors missing, aggressively inch their way in between pickup trucks so loaded with passengers that some ride sitting on the hood and the roof. Adding to the mix are the newly-arrived Humvees and other American military vehicles.

More often than not, the din of car horns drowns Mr. Hassan's shrill whistle. But it is a job that he does with pride.

"I do it for my country and because I love being a policeman," he said.

There were once more than 200 traffic policemen in Mogadishu. Now there are only a handful, said Mr. Hassan, a slim 55-year-old who has spent 30 years in

the traffic police and works at the intersection with four of his friends.

Other former policemen want to come back to work, but they do not have uniforms. All that is left of Mr. Hassan's original uniform is the blue beret, the epaulettes, and his whistle. He had to make himself new khaki trousers, and he sewed his own white shirt.

Tears welled in Mr. Hassan's eyes when he recounted what he once had.

"I had beautiful white gloves that I used to direct the traffic," he said in fluent Italian-learned during colonial rule of this part of Somalia. "I had a shoulder holster and a gun and shiny black boots, and everyone respected me."

Since American troops arrived in Mogadishu last week, thousands of Somalis have gathered on the streets or perched in trees to stare at the passing soldiers. For the most part, they have been friendly and curious. But in this unpredictable city, this too can change in an instant.

When a Somali woman got out of a jeep full of French soldiers on Monday outside a hotel where more than 100 foreign journalists are staying, the crowd of mostly men, angry at her for being with foreigners, reacted like wildfire. Shouting, they quickly surrounded her and threw her to the ground. Some men stomped and kicked her, while others tore off her clothes and hit her in the head with sticks.

She pulled out a knife and managed to stab one of her attackers before the weapon was wrestled away from her. Then the men dragged her by her hair into a nearby compound and they threw stones at passing photographers.

The attack was witnessed by journalists on the roof of the hotel, and French Foreign Legionnaires watched from the roof of another building. No one intervened.

Later jailed on charges of suspected prostitution, she faces trial before a religious court. Newspapers said that if convicted, she might be executed.

It was all over in 10 minutes. The crowd returned to soldier-watching.

Weapons may have mostly disappeared along the main avenues of Mogadishu, but they are highly visible at the Bakara market.

Patched together under rusty corrugated tin roofs and burlap-topped huts, the market stretches out along narrow, muddy lanes in the western part of the capital.

It is one of the busiest places in the city, and one of the roughest. Hundreds of Somalis meander through the chaotic, pickpocket-infested crowd accompanied by bodyguards toting M-16s and AK-47s. Armed men guarding the stalls and stores threatened to shoot looters, including Western ones. There is much dis-

trust of foreigners here, and the Somalis who were the most talkative with a Western visitor were the few people who hissed: "Be careful! Watch out!"

At a wheat store, the counter is used to prop up the owner's recalcitrant rifles. Much of the wheat, rice, and flour in the stores has made its way to the market after being looted from the warehouses and convoys of foreign relief agencies trying to alleviate the suffering in the famine-stricken interior of the country.

The looting may have kept the Somali economy afloat, allowing the citizens of Mogadishu access to affordable food. But in the last couple of weeks, prices for basics have skyrocketed because supplies have dwindled.

Dates imported from Saudi Arabia cost the equivalent of \$1.80 a pound, sugar from China has tripled in price in the last week to \$3.60 a pound, and rice has doubled to 70 cents a pound.

Conversely, the price of weapons has plummeted since the Americans arrived and began fitful efforts to collect arms from Somalis. An AK-47, the most popular assault rifle here, now fetches \$50, down from \$150 a week ago.

One of the biggest businesses is in Somali passports. For \$50, anyone can choose from stacks of green passports, complete with stamps and an empty plasticized square for a photograph.



A starving youth in a Baidoa feeding center on Tuesday was among many waiting for Western help to arrive.

SOMALIA: Signs Along the Way

(Continued from page 1)

relief workers say the daily death toll has been creeping back toward 100.

Securing the Baidoa airport is one of the troops' first goals. Although it has been open to relief flights for months, armed clansmen have looted the food convoys and terrorized aid organizations in town. Some gunmen have exacted thousands of dollars in landing fees from the aid planes, while the local police, who recently materialized, have been charging reporters a variety of "registration fees."

After the Marines take control of the airfield, letting relief flights in unimpeded, they plan to fan out into the surrounding town to begin securing food convoy routes.

President George Bush's special envoy to Somalia, Robert B. Oakley, met with relief workers and clan leaders in Baidoa on Tuesday, and told the relief agencies that the military would explain to them on Wednesday how the relief effort would work.

"We're not expecting any real opposition," said Captain Robert Castelli, the commander of the unit that will lead the ground convoy into Baidoa.

Thirty kilometers outside Moga-

dishu on the way to Bali Dogle, long green rows of corn sprouted from reddish-brown soil on either side of the road. A middle-aged man and woman were seen tilling the soil with short hoes. Mango trees, banana palms and tomato vines grew in other fields.

On a footpath next to the roadway, men armed with switches and automatic rifles herded hundreds of meandering camels toward the market in Mogadishu.

"People out here live a lot better than in the city," said Corporal Patrick Haley, 24, a sniper observer from Houston. "These people aren't skinny. They seem healthy."

But there were also signs of poverty, and of the chaos brought by the two years of civil war.

Power poles stood naked on the roadside, their cables long since stolen for their copper. At hamlets along the route, residents sat in ramshackle twig huts, some roofed with corrugated metal.

"I'm glad some of these people aren't that badly off," said Gunnery Sergeant Arthur Torres, 36, of San Diego, motoring to workers in the fields.

"But help's here for a lot of other people, and that's what we're going to be doing."

CLINTON: An Experiment in Political Education

(Continued from page 1)

in which each student tries to make a pet point, with no one putting it all together or paying attention to what the last person said.

None of it seemed to bother Mr. Clinton, probably because this conference for him was not just a discussion of economics. It also was a matter of politics. What Mr. Clinton wanted most out of it, aides said, was not a report on the state of the economy, not an agreement on a specific economic recovery plan. He basically knows what he is going to do already.

He was trying to create a political mood—a nationwide consensus that the economy is in a structural decline. He also seemed to be trying to persuade Americans that their president-elect was working on it, but that no one should expect a quick fix.

"Just think of the ripple effect," said his communications director, George Stephanopoulos. "Even people just scanning channels will see their president-elect working on the problem they care most about. Let alone the people watching all day. And the people here will go back and talk about the issues we're talking about."

At its best—and that was only in spurts—the conference was educational. At one point, Mr. Clinton evocatively translated a detailed presentation on health-care costs by Stuart Altman, a professor at Brandeis University, in a few brief sentences.

"I just want to reinforce the point he made," Mr. Clinton said, "so that you get some sense of what an incredible downward spiral we're in. Because more costs keep being shifted to the private sector.

BUSH: President Sets Forth Foreign Policy Doctrine

(Continued from page 1)

should consider using military force only in those situations where the stakes warrant, where it can be effective, and its application limited in scope and time.

"As we seek to save lives, we must always be mindful of the lives that we may have to put at risk."

The speech is one of a few Mr. Bush plans to make in the waning days of his presidency that he evidently hopes will define his view of

RUSSIA: Unfinished Business

(Continued from page 1)

named fuel and energy minister in May, the appointment was interpreted as a victory for the industrial lobby. He had served in the same position under the Soviet president, Mikhail S. Gorbachev, and was clearly a consummate insider. But he called for the liberalization of energy prices, a step that the Gaidar government never dared to take.

The change of prime minister is likely to lead to a shake-up in the Russian political scene, with Mr. Yeltsin no longer able to rely on the weakened democratic camp as his political base. Several radical legislators who had supported Mr. Gaidar accused the president of a sell-out and said that they would now go into opposition.

"This is the end of the Gaidar era," said Anatoli Shabad, a member of the Democratic Russia group. "It will lead to a further destruction of the economy and possibly even the breakup of Russia. Many democrats will be unable to support Mr. Yeltsin after this."

recent history and historians' views on his four years in office.

As he spoke, President-elect Bill Clinton was chairing a detailed roundtable on the issue that voters in November evidently believed Mr. Bush had sorely neglected: the U.S. economy.

Mr. Bush took the opportunity to call for public backing for the new president, who is expected to pursue a foreign policy that in many respects is more similar to

that outlined on Tuesday by Mr. Bush than to the policies Mr. Bush appeared to be pursuing during his presidency. During his campaign, Mr. Clinton repeatedly called for a foreign policy based on American values and democratic traditions and a re-evaluation of what he viewed as a Cold War mentality.

Mr. Bush made it clear that he was not endorsing "reckless, expensive crusades" but rather an activist American approach.

"The post-Communist world, with its clashes of nationalism, has said, 'could be as menacing' as the Cold War," he said.

"And let me be blunt," he added. "A retreat from American leadership and from American involvement would be a mistake for which future generations, indeed our own children, would pay dearly."

History will record, he said proudly and to sustained applause, that "the end of the titanic clash of political systems and the collapse of the most heavily armed empire in history took place without a shot being fired."

The president received his most enthusiastic ovation when he referred to his long years in positions of political leadership.

"History is summoning us once again to lead," he said. "Proud of its past, America must once again look forward and we must live up to the greatness of our forefathers' ideals, and in doing so, secure our grandchildren's futures. That is the cause that much of my public life has been dedicated to serving."

He said he was "very confident" that Mr. Clinton would "do his level best to serve the cause" that he outlined Tuesday.

IBM: Research Budget Slashed Amid 25,000 Job Cuts

(Continued from page 1)

by Japan, were "softening," although there remained "some ebullience, and that's China."

Europe is expected to bear a big share of the cuts. An IBM spokesman said about half of the 25,000 cuts would take place in the United States, where IBM has 158,000 of its 300,000 employees, while most of the rest would take place in Europe, where IBM has about 100,000 employees.

The \$6 billion charge against earnings in this quarter was far larger than analysts had expected.

Mr. Metz said the company expected to break even this quarter but could not promise better times for 1993 even if the U.S. economy continued to hold up.

Among those expressing concern at the analysts' meeting were representatives of the Ford Foundation, which like many trusts and other funds holds big blocks of IBM stock and has not moved quickly enough to dump it as its value fell by half in the past 18 months.

Moody's Investors Service said that it might cut IBM's bond rating again. In March, it was lowered

two notches, from Aaa to Aa2.

An associate director at Moody's, Alfred Pastore, said, "The reason IBM is under review is that it seems to be in a free-fall."

He added that IBM was unable to cut costs fast enough to keep pace with shrinking sales volume, stabilize its business position and improve its market share.

Last year, IBM had a record loss of \$2.82 billion, on revenue of \$64.7 billion. For the first nine months of this year, it reported net income of \$496 million, on sales of \$44.96 billion.

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Kremlin Chief: A Manager With a Good Record

By Steven Erlanger
New York Times Service

MOSCOW — Viktor S. Chernomyrdin, Russia's new prime minister, has had a long and successful career as a manager and cabinet minister in charge of the country's huge gas and energy complex.

What was striking was how few of the legislators who voted for him know much about him. But many said they knew the type: a strong, experienced administrator who ran a vital industry with wide international contacts, but who was no Communist Party hack.

Mr. Chernomyrdin had been brought into the cabinet of Acting Prime Minister Yegor T. Gaidar at the end of May with two other industrialists.

Their inclusion was an attempt to broaden Mr. Gaidar's government of young, Westernized economists and appease outraged managers of state enterprises, who were struggling with the end of a centralized, command economy and the collapse of the Soviet Union.

But Mr. Chernomyrdin's appointment as a deputy prime minister for fuel and energy was based on competence and caused no controversy. He replaced a Gaidar friend, Vladimir Lopukhin, who was acknowledged to have been a failure in the job.

Mr. Chernomyrdin, 54, is widely considered "to have worked hard in the government, and with no political ambitions," Nikolai Vorontsov, a pro-change legislator and former environment minister, said on Monday.

Mr. Gaidar himself was generous in his comments.

"I treat him with respect," he said of his successor. "He sees the priorities of reforms in a slightly different way. But on the whole, Chernomyrdin wants reforms to be carried on. This is why I'm not an out-and-out pessimist about everything we have accomplished being in vain."

The changes, he added, "have a great momentum of their own, and it is very difficult to reverse them."

Mr. Chernomyrdin tried to calm nervousness about the future of Russian economic change by asking members of the Gaidar cabinet to stay on, at least for now, and restating his support for "a market-oriented economy."

But in his first interview as prime minister, with the Tass press agency, and in a statement thanking the Congress of People's Deputies, he gave a clear sign that his "priorities of reforms" would be different and would concentrate on trying to reverse the fall in industrial production, which is down about 25 percent from a year ago.

"No reform will work if we destroy industry completely," he said. "We should switch to another stage — pay serious attention to production. This will enable us to do more for agriculture, for boosting output. We will rely on basic, key industries, that will help revive the rest."

As Mr. Gaidar fought to prevent a continuing and inflationary flow of central bank credits to Russia's struggling factories, he insisted that it was "impossible to produce our way out of crisis" by making goods that no one wanted to buy.

But Mr. Chernomyrdin is expected by Russian lawmakers, Western diplomats and economists to keep the credit tap

open, which may risk turning the already dangerous 25 to 30 percent monthly inflation into something close to hyperinflation, or 50 percent a month, by spring.

Mr. Chernomyrdin said Monday that his main task was "to deepen reform, but without impoverishing our people."

His statements implied further efforts to strengthen the social safety net, slowing the rise in unemployment, and continuing to raise pensions and salaries in line with inflation. Such policies will inevitably create a bigger deficit, which when added to new credits, is likely to further delay already fading Western hopes for economic stabilization.

But if Mr. Chernomyrdin can help export industries like gas, oil and timber, and crack down on illegal exports, he may begin to bring in the hard currency Russia needs for crucial imports and to support the ruble.

Viktor Stepanovich Chernomyrdin was born in 1938 in a village in the Orenburg region of Russia, worked as a compressor operator, and graduated from a technical institute through correspondence courses. He next became a machine operator at an oil refinery, and, from 1967 to 1973, worked in the industrial department of the Orsk city Communist Party. He moved into the gas industry and served as an instructor in the party's Central Committee from 1978 to 1982.

That year, he was made deputy minister of the gas industry, and, in 1985, when Mikhail S. Gorbachev came to power, he became a minister. In 1989, he turned his ministry into the first state corporate complex, Gazprom, and was its chairman before joining the Gaidar government in May 1992.



Prime Minister Viktor S. Chernomyrdin at his press conference Tuesday. He restated support for "a market-oriented economy."

Marching Band Walks Off With Booty in Japan

The Associated Press

TOKYO — Members of the Texas Southern University marching band stole more than \$22,000 of electronics products on a trip to Japan — and returned most items when the police threatened to let the band leave the country, officials said Tuesday.

The band was in Tokyo to play at a football game between two U.S. colleges Dec. 6.

A police spokesman said that before their return to the United States, the 126 band members were taken in buses on a shopping trip to an area with many electronics shops.

Store employees saw members stealing products and chased them, but the Americans returned to their buses, the spokesman said.

Shopkeepers could not identify the thieves since the band members were wearing uniforms.

The police told band members that unless the stolen products were returned, the buses would not be permitted to leave.

About 100 items were given back, but about \$3,500 of goods were not returned.

A spokesman for the Japanese organizer of the game said that officials had received money for the unreturned products from Texas Southern.

With Oil and West's Appeals in Mind, Tokyo Plans Aid for Central Asia

By Steven Brill
International Herald Tribune

TOKYO — Japan, hamstrung politically in responding to growing Western demands to give assistance to Russia, is laying the groundwork to become the leading donor to the five Central Asian republics of the former Soviet Union.

The aid, which could begin flowing next year and eventually become substantial, is aimed chiefly at supporting the transition of those states from centrally planned to market economies.

Tokyo wants to help stabilize a region where an ascent of Islamic fundamentalism could create disturbances affecting oil shipments from the Gulf, Japan's main source of supply, officials said.

But Japanese aid to the republics — Kazakhstan, Turkmenistan, Uzbekistan, Kyrgyzstan and Tajikistan — also provides a way to satisfy growing Western pressure to share the burden of aiding states that have spun out of the Russian orbit.

Officials say President Boris N. Yeltsin's cancellation in September of a visit to negotiate the two nations' long-standing territorial dispute hardened attitudes in the governing Liberal Democratic Party, and quashed hopes held in some quarters of stepping up aid to Moscow.

"It's the pragmatic way to assist

Russia," said Dennis Yasutomo, a visiting scholar at the Ministry of Finance and an associate professor at Smith College in Northampton, Massachusetts.

Giving aid to the republics also underscores Tokyo's growing ability in the post-Cold war era to adopt more independent and strategic policies.

"They're taking real leadership in central Asia," said Robert Orr, director of the Institute for Pacific Rim Studies of Temple University in Japan. "They intend to be the major player," he said. The United States and the European nations, he added, lack the means or determination to aid the region as much.

Japan's official development assistance budget is the world's largest, and it is expected to grow by 5 percent, to about 1 trillion yen, or \$8.06 billion, in the fiscal year beginning next April. Although Tokyo coordinates its aid with Western-dominated institutions, its policies have assumed greater independence, especially in Asia, a region it sees as its natural sphere of influence.

Japan began exploring its interest in the central Asia republics in May, when Foreign Minister Michio Watanabe visited the region. A high-level Finance Ministry delegation toured in October.

Although the central Asian republics straddle the crossroads be-

tween Asia and the Middle East, from China in the northeast to Iran in the southwest, officials returned from the region impressed by the cultural affinities. "They look like Asians and they think like Asians," a senior Finance Ministry official said.

Japan's strategy appears loosely coordinated, with different ministries pursuing separate agendas

and the Foreign Ministry in the lead. But the nation has nonetheless taken a series of steps that set the stage for becoming the dominant aid donor to the region.

A key decision came earlier this month, when Japan overcame French and U.S. opposition to put the five republics on the development assistance country list of the Organization for Economic Coop-

eration and Development. The list, which serves as a guide to which countries should benefit from aid, is crucial to getting major Japanese support because it allows Tokyo's assistance to be defined as development aid.

Tokyo has also been leading a drive to admit the republics to the Asian Development Bank, even though they are already members

of the European Bank for Reconstruction and Development. There is no precedent for states belonging to more than one regional development bank.

Japan also plans to open embassies in Kazakhstan and Uzbekistan next month to help gather information and develop projects that can use Japanese aid. But Japan still faces a serious lack of regional ex-

perts and a paucity of diplomats conversant in Turkish and related dialects.

Japan will get help from Turkey, which is vying with Iran for regional influence. Prime Minister Suleyman Demirel of Turkey visited Tokyo last week and asked Prime Minister Kiichi Miyazawa to assist setting up a bank to provide development funds to the region.

The Hague Appoints New EC Commissioner

Reuters

THE HAGUE — Foreign Minister Hans van den Broek of the Netherlands will succeed Frans Andriessen as the Dutch European commissioner, effective Jan. 2, the government said Tuesday.

Prime Minister Ruud Lubbers told the States-General, or parliament, that the Netherlands had offered the EC Commission its best candidate in view of the current problems within the European Community.

"It is important, considering the phase Europe is going through with all its worrying aspects, that the best possible could be expected of the Netherlands," Mr. Lubbers said.

Mr. Andriessen, the longest-serving member of the European Community's executive commission and the second most senior official in Brussels after Jacques Delors, president of the commission, asked not to be reappointed, the Dutch Foreign Ministry said.

Mr. Van den Broek will be succeeded by Pieter Kooijmans, 59, a law professor.

Mr. Van den Broek, 56, a Christian Democrat who became foreign minister in 1982, is the longest serving member of Mr. Lubbers's center-left cabinet.

In submitting his resignation, he said that he was determined to work for closer European ties.

An articulate advocate of the federalist approach to European integration, he is seen as one of the

main architects of the Maastricht Treaty on European Union.

Politicians and diplomats said his appointment was a surprise and that it throws into question the future of Mr. Lubbers, who is widely seen as the front-runner to succeed Mr. Delors as president of the commission.

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Herald Tribune

Caution Makes Sense

The American-led intervention in Somalia proceeds with an evident measure of caution. Impatient voices can be heard demanding that the Americans stop the starving and killing immediately. The American government is defending the manner and pace of the operation, and so it should. It is a bold and risky mission, and to conduct it imprudently is to endanger the lives of those in the intervention force and to preclude the rescue of countless Somalis.

security-for-relief and to disarm all the gunners and deliver a quiet country to international political and developmental rehabilitation. It is a bit artificial to distinguish between a U.S. relief mission and a UN rehabilitation mission, but the U.S. government, which is trying to draw a line, should keep on trying. Any other approach risks stirring Somali resentment and tempting other countries to flood on Washington.

Opportunity for Bush

George Bush can secure a place in history as the president whose diplomacy ended, at long last, the nuclear arms race. One crucial piece of the puzzle eludes him — completing a second strategic arms treaty. START-2 could be his most important legacy. Yet this magnificent opportunity might slip away unless he personally intervenes.

which would be expensive, or destroying the warheads and providing for intrusive inspections, which would cost a lot less. Second, Russia would like to deploy single-warhead missiles in the silos that now house its mammoth 10-warhead SS-18 missiles. That would be acceptable as long as Moscow destroyed the SS-18s or altered the silos to make them incapable of launching the SS-18 — both relatively cheap fixes.

Discussing Economics

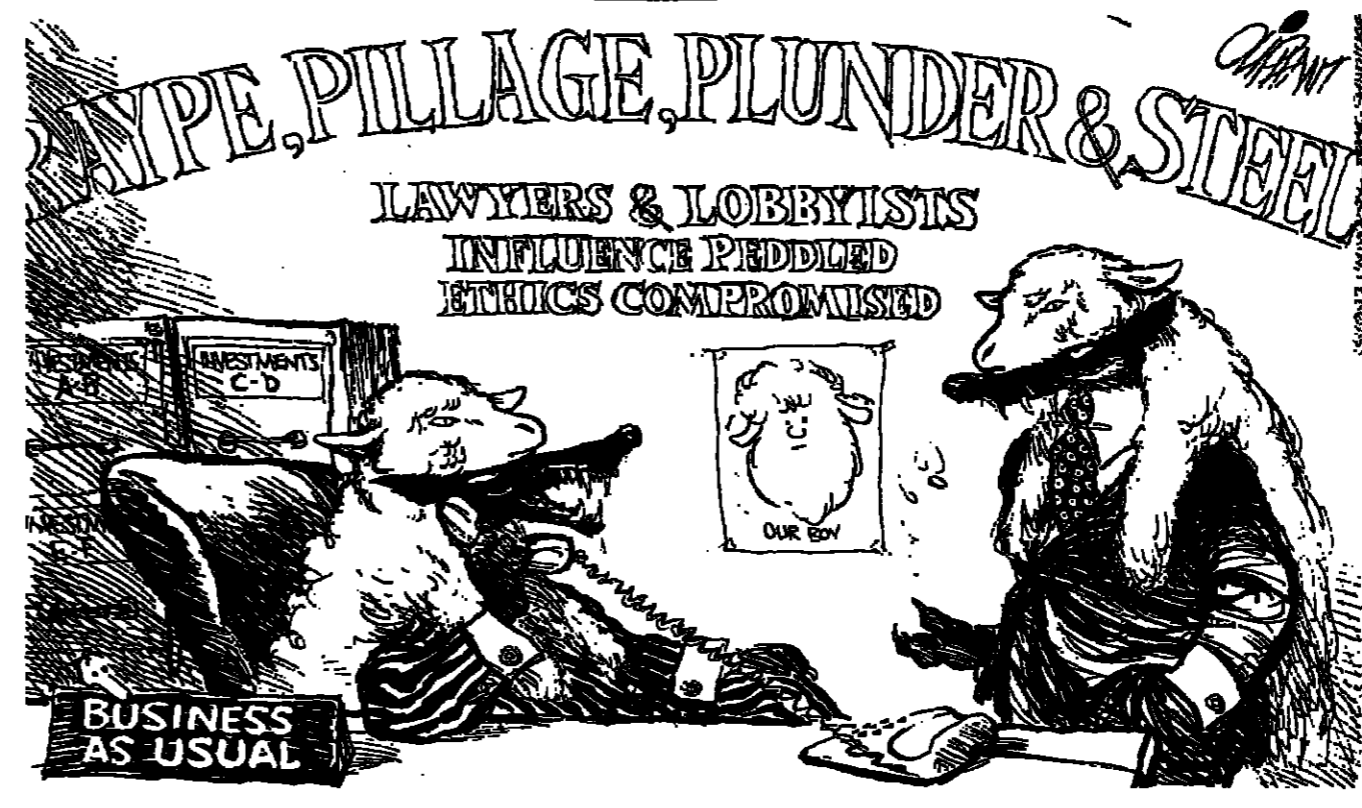
One of the things new presidents do is change the terms of national debate. That is part of what Bill Clinton was attempting on Monday at the national televised economic conference — Ross Perot might have called it "electronic town hall" — in Little Rock.

business's lead and "draw a distinction between borrowing money for investment in our future and borrowing money to pay for [current] costs." The answer, if this means creating a separate "investment budget" that would not count against the deficit in the same way as the rest of the budget, is surely no. Every federal expenditure would suddenly become an "investment"; the danger exists rhetorically even now.

Other Comment

The Yeltsin Difference Through all the turmoil of Russian politics, the crucial question for the West remains: what extent does Boris Yeltsin and his policies can and should be supported. Comparisons are made to Mikhail Gorbachev's final years in power, when there was speculation as to what could be done to help keep perestroika afloat. But there are important differences: Mr. Gorbachev's concept of reform was always tactical, a short-term, often stop-gap response to immediate challenges; his successor has a comprehensive strategic concept of systemic reform, though he has so far been unable to carry it out.

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Clinton's Team: The Fray Will Be Interesting

WASHINGTON — There is an oddball quality to Bill Clinton's first round of cabinet and White House appointments that suggests that the new president will be kept busy refereeing fights within his administration. That may be exactly what he wants.

By David S. Broder Harvard University's Robert Reich, whose economic theories have influenced Mr. Clinton greatly, seemed a natural for a top White House policy job. But instead he winds up as secretary of labor — an operating position traditionally reserved in Democratic administrations for a pal of the unions, which Mr. Reich is not.

The disposition of the agriculture, interior and education secretariats — three other departments often run by their constituency interest groups — may tell which pattern will prevail. In some areas Mr. Clinton has been extremely conventional. Senator Lloyd Bentsen of Texas, a gray-haired model of caution and calm judgment, is a treasury secretary right out of Central Casting.

Promoting Special Interests Is the American Way

NEW YORK — President-elect Bill Clinton is stuffing his cabinet with people who represent powerful special interests. The new treasury secretary is a friend of the oil and gas industries. The new secretary of commerce has represented a fat bank account worth of business lobbies, American and foreign.

By A. M. Rosenthal candidates denounced them with routine passion. The truth is that America consists of groups that are entitled to push for their special interests and do. As long as they do it openly and legally, they are constitutionally protected and vital to democracy.

morely to submerge their past interests live up to the rules. Two: If they don't, they get thrown out. In journalism, columnists and editorial writers openly express opinions and try to influence people. But reporters and news editors working for nonpolitical publications or stations are honor bound to put aside their own special interests.

Seven Ways for Americans to Take Japan Seriously

TOKYO — As the first U.S. president born after World War II and the first elected after the end of the Cold War, Bill Clinton faces the challenge of transforming a deteriorating asymmetric and unbalanced relationship with Japan into one that is genuinely equal, constructive and benefiting the 1990s and beyond.

By Glen S. Fukushima U.S. policy has since 1945, that Japan's economy will automatically come to resemble America's. Also, the U.S. secretary of commerce, says that Japan is no longer an ally, but a competitor.

cepts outlined above, the Clinton administration has a golden opportunity to create a new and constructive U.S.-Japanese relationship as it prepares America for the 21st century.

Wanted: Policymakers who understand Japan.

erupts. Implementing a national competitiveness strategy is a necessary condition to deal with the "Japan problem." But even if the United States had no federal budget deficit, the highest saving and investment rates in the world, the best education and work force training system in the world, etc., these alone would be inadequate to address the profound challenges posed by Japan.

Consider the regional and global framework. Japan's economic power is too great and its political power too ascendant to consider it in isolation from the rest of Asia and a broader international context. Washington needs a sophisticated, realistic and strategic analysis of Japan's growing role in the world, and what it means

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1892: Canada Is Offended PARIS — Canada is angry with the United States — not for the first time. It is "only pretty funny's way," as the song says. Now she is very wroth. It seems President Harrison offended when he referred to the "unfriendly" attitude adopted by Canada on tariffs.

1942: Quailing at His Slip WASHINGTON — [From our New York edition:] Anguished because President Roosevelt spelled Generalissimo with too many "S's," the Office of War Information got busy with ink eradicator today [Dec. 15].

1917: Italy's Message ROME — On the occasion of the declaration of war by the United States on Austria-Hungary the King of Italy sent this telegram to President Wilson: "The United States has established itself firmly on the side of right, and its entry [into the war] will assure victory. The Italian nation

In Russia, A Mistaken Therapy

By David M. Kotz NORTHAMPTON, Massachusetts — If the ouster of Russia's acting prime minister, Yegor Gaidar, on Monday means an end to the "shock therapy" experiment, the West should have no regrets. The radical economic changes had many supporters in Russia and the West when they were started in January. But a policy must be judged on its record, and the Russian plan's record has been dismal.

While most Russians still want serious economic reform, they are appalled by the mass impoverishment and industrial destruction the current strategy has caused. Some experts claimed that "shock therapy" was merely destroying inefficient "dinosaurs" enterprises that should be allowed to die. But even previously successful enterprises, such as the giant Vaz Auto Works, were threatened by the tight credit required by "shock therapy."

These include measures to revive industrial production while seeking control of inflation, government efforts to increase investment in industry and infrastructure and a more deliberate pace of privatization to enable viable state enterprises to re-vamp themselves while encouraging the growth of new private companies.

Repeating Mr. Gaidar with Viktor Chornomyrdin does not necessarily mean that the centrist's suggestion. The centrist pushed Mr. Gaidar out using legitimate democratic methods. The real threat to democracy would have been six more months of "shock therapy."

The resulting political-economic turmoil might well have brought to power the proto-fascist groups in the National Salvation Front, destroying any hope for enduring democracy. Gaidar's fall does not spell the end of the economic reform. Rather, change is likely to take place more gradually, with greater government guidance and with more concern for protecting living standards and salvaging what can be salvaged from existing productive institutions.

Indeed, the Civic Union's call for the government to play an active role in reviving production, rebuilding the infrastructure and promoting new technologies resembles Bill Clinton's program for the U.S. economy. "Shock therapy" resembled the laissez-faire or "trickle-down" economics that has so damaged the U.S. economy for the past 12 years.

The chances of success for a different strategy will be much greater if the United States accepts the change and offers support. Failure to do so will heighten the risk that an economic and social breakdown will lead to a new authoritarianism — with grave implications for the Russians and the rest of the world.

The writer is professor of economics at the University of Massachusetts at Amherst. He contributed this comment to The New York Times.

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OPINION

Clinton Should Be Ready For Future Yugoslavias

By Joseph S. Nye Jr.

CAMBRIDGE, Massachusetts — One of the major foreign policy challenges for the Clinton administration will be how to respond to the new tribalism — the demand of ethnic groups for self-government.

ca, a thousand ethnic and linguistic peoples are squeezed within and across some 50 states. Once such states are called into question, the prospects for ethnic cleansing and widespread violence are opened.

How then is it possible to preserve some order in traditional terms of the balance of power among sovereign states, while also moving toward an order based on justice among peoples?

The answer must reside in greater international protection of human and minority rights. In retrospect, it would have been better to have conditioned recognition of the Yugoslav successor states on their adoption of constitutions guaranteeing human rights and accepting provision for international surveillance and mediation of the condition of minorities.

International institutions are evolving in such a direction. Already in 1945, Articles 55 and 56 of the UN Charter pledged states to collective responsibility for observance of human rights and fundamental freedoms.

Of course, in many parts of the world, such principles are resisted and violations go unpunished. A foreign policy of armed multilateral intervention to right all such wrongs would be another source of enormous disorder.

Moreover, one must consider the effects of a secession on the majority left behind. In 1938, Hitler used claims of self-determination for Sudeten Germans to strip Czechoslovakia of its mountain defenses.

These are not rare examples. Less than 10 percent of the 175 states in today's world are ethnically homogenous.

The writer is director of Harvard's Center for International Affairs. He contributed this column to The Washington Post.



To Hell, Designer Polo Shirt and All

By Jonathan Yardley

WASHINGTON — Looking south toward Africa from the comforts of Lady Metroland's London luncheon party, Lord Copper of the Megalopolitan Newspaper Corp. discovers just what he is looking for: "a very promising little war" in the nation of Ishmaelia.

provoking America into serious military action. It provides ample opportunity for sharp victories and conspicuous acts of bravery, all conducive to colorful pictures. And it provides the ultimate in media satisfaction: the trappings of war without the actuality of war.

MEANWHILE

Thus it goes in the pages of "Scoop," Evelyn Waugh's classic comic novel about journalists set loose in the African wild, and thus it goes even now in Somalia, where against the background of human suffering too ghastly to contemplate the American press and the American military are dancing a minuet more farcical than anything even the ingenious Mr. Waugh could have imagined.

of Bosnia, Somalia is a cut-and-dried case of good against evil, a chance to continue the reconstruction of the Pentagon's image that has been under way since its monumental adventure in Grenada. Somewhere in the Pentagon there may be someone who sincerely believes the crisis in Somalia places demands on the American conscience too great and urgent to be ignored.

of Somalia is a cut-and-dried case of good against evil, a chance to continue the reconstruction of the Pentagon's image that has been under way since its monumental adventure in Grenada.

Koppel, television's idea of an intellectual, found it "Fellini-esque."

It does not seem to have occurred to these eminecences that if the spectacle in Somalia looked like something out of a farce, it was precisely because they were on hand to make it so. Having dashed across the Atlantic in order to masquerade as working reporters, these 800-pound gorillas left the Pentagon little choice except to orchestrate a spectacle worthy of their presence.

But the best spectacle was provided not by the poor soldiers who unwittingly found themselves in a situation for which nothing at Fort Bragg or Camp Pendleton had prepared them.

They recalled nothing so much as Evelyn Waugh's four French journalists, who come to Ishmaelia "dressed as though for the cinema camera in breeches, open shirts and brand new chocolate-colored riding boots cross-laced from top to bottom; each carried a bandolier of cartridges round his waist and a revolver-holster on his hip."

The costumes of the American journalists were rather less elaborate but not a scintilla less studied. Tom Brokaw appeared on NBC in a khaki shirt artfully opened nearly to the waist, revealing what gave every evidence of being a designer T-shirt; his hair was perhaps wind-blown, perhaps stylist-blown.

All of which made for a smashing show, which in the minds of those chiefly responsible for producing it was exactly the desired result. The Pentagon, it is bruited about, was subjected to a friendly takeover by public-relations forces while the rest of us were distracted by the Gulf War.

Irving Berlin was right: There's no business like show business. To be sure, it's just a wee bit, well, obscene when so many are dying. But a little inconvincence never before stood in the way of entertainment.

The Washington Post.

LETTERS TO THE EDITOR

A Grass-Roots Insider

Late one hot, muggy evening in July, there was a flurry of excitement on an otherwise empty airfield in Little Rock, Arkansas: The newly nominated Democratic candidate for president of the United States, Governor Bill Clinton, was returning home.

It was almost two hours past midnight, and the governor was hours behind schedule. The time of his return had not been made public, so the small airport stood empty and silent save for the "advance team" and a handful of local volunteers.

My solace was that, as an acquaintance of Mr. Clinton, I had only to call out through the din of reporters a simple "Hi, Bill," and he would come over with a handshake and warm greetings.

None of us minded the midnight toil. It was rewarding enough just to be there, playing a part in the American political process in our own small way.

But there was another advantage. I was free to roam around the campaign's national headquarters, in a modest building in downtown Little Rock. A short tour gave one a sense of awe at the intricate organization involved in one of the most underestimated presidential campaigns in U.S. history.

For one who has seen the inner workings of this campaign, it is possible to feel sympathetic to Dan Quayle's election-night remark as he conceded defeat: "If Bill Clinton runs this country as well as he ran his campaign, we'll be all right."

Opportunity for Many

After the U.S. elections, a rash of articles appeared suggesting in one way or another that George Bush had been "bred" to be president, that he had grown up with this as his goal — the intimation being that he belonged to a sort of American aristocratic political class.

But all children in America, at least from lower middle-class upward, grow up with the belief that they could be president — unless they belong to one of the "wrong" minorities.

JEFF EASTERSON, Perpignan, France.

Time for Logic in Vietnam

I don't quite understand America's continued isolation of Vietnam. The United States is losing out to the rest of the world in a big market. But more important, if there were thousands of Americans running around Vietnam, might they not find out faster about the servicemen missing in action than if nobody was there?

ED HERBST, Salvador, Brazil.

Hatred and Religion

The destruction in India by Hindu extremists of a 600-year-old Muslim temple, and the lethal riots that have followed, have reinforced my feeling that all religions are bad.

Religion, which is supposed to elevate humankind to a higher level of consciousness and to promote brotherhood, in fact divides people.

Fellow Slavs in former Yugoslavia, divided only by religion, are gouging each other's eyes out. Fellow Christians in Ireland, divided only by sect, are blowing one another up.

Arab Muslims hate Jews, and Jews hate Arabs. What does it all mean?

If humans have a biological need to hate, I suggest that we generate a worldwide Hate-the-Martians movement.

GENE DEITCH, Prague.

Umpteenth Eco-Disaster

When will the governments of the world have the basic sense to ban multi-million-gallon tankers? If oil were carried in convoys of small ships, any accident would be relatively minor. The increased transport cost would be offset by the avoidance of huge payments made in compensation after every major spill.

NESTA COMBER, Venice, France.

SMOOTH

as silk.

THAI INTERNATIONAL HAS ALWAYS BEEN POPULAR WITH LOVERS OF GOOD FOOD AND WINE. YOU SEE, WE HAVE NEVER BELIEVED ALL AIR-LINE FOOD IS THE SAME. NOR HAVE WE FELT THAT JUST ANY WINE WILL DO FOR PASSENGERS ENJOYING OUR ROYAL ORCHID SERVICE.

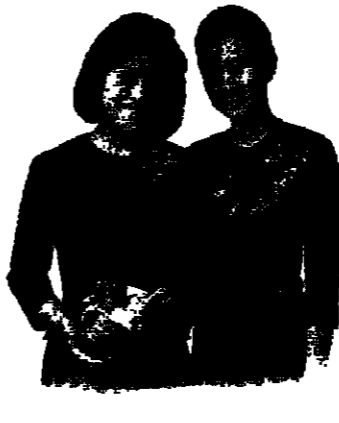
CONSEQUENTLY, THE CHOOSING OF THE WINES ON OUR WINE LISTS BEGINS HERE, IN THE GREAT VINEYARDS OF FRANCE. SKILL AND EXPERIENCE ARE NEEDED TO DISTINGUISH REALLY FINE VINTAGES FROM THE ALSO-RANS. AND THAT'S WHY THAI CALLS ON THE SERVICES OF A PROFESSIONAL PANEL OF EXPERTS

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LONDON THEATER

A New 'Carousel': Back to the Play

By Sheridan Morley
 International Herald Tribune

LONDON — A joyous, brilliant and breathtaking production has raised "Carousel" (at the National, Lytton) to the ranks of "Porgy and Bess" and "West Side Story" at the forefront of the classic Broadway musical. The production, by Nicholas Hytner and the late Kenneth MacMillan, has achieved this by putting the play back at the heart of the show, and therapeutically reworked and deconstructed the movie and decades of tacky road tours.

"Carousel" is Ferenc Molnar's "Liliom" transported from Middle Europe to New England, and it has here been given a fine operatic and balletic rethink. Against Bob Crowley's cut-out settings, a dark and great masterpiece unfolds from the building of the carousel itself through to Billy's final climb back to Heaven, and it is dominated by the dazzling dances of MacMillan, his last monument, which start out as a tribute to the original choreography of Agnes de Mille and then time and again improve on that choreography, at least as it was immortalized by the movie.

True, Hytner has had problems in his central casting; neither Michael Hayden, years too young-looking for Billy, nor Joanna Riding, remarkably wan as Julie, have the strength which is everywhere else apparent, from Patricia Routledge's clambake-celebrating old curmudgeon to Phil Daniels' wonderfully evil Jigger by way of Clive Rowe's splendidly black Mr. Snow. "Carousel" has taken so long to revive because many thought, especially in its Starkeeper scenes, that it was unrevivable. On the contrary, we now know what we have been missing these last 40 years, and how much greater "Carousel" is than any of the more familiar Rodgers-Hammerstein scores.

At the Hampstead, Doug Lucie's "Grace" is nothing less than a "Cherry Orchard" for our times. A group of latter-day American evangelists, led by the terrifyingly charismatic Reverend Hoffman (James Laurensen), arrives in Britain to occupy an old country estate presided over by Anna Massey, who takes an instant and cynical dislike to their born-again preaching.

But the estate has supposedly been the scene of a religious miracle involving Massey's dead sister, and as the evangelists start to make their film of it the home truths that

emerge from the closets are about the invaders as well as the landlady. Massey perfectly represents the old landed liberal, up against the thrusting conservative capitalists of the new religious transatlantic order, and "Grace" is in that sense an attack on the faith industry ("are they bonkers or just American?"), as well as on the notion that God can be successfully marketed by satellite ("We discovered a product gap and filled it with the Lord").

But like many of Lucie's earlier plays, "Grace" is also about what has happened to Britain under Thatcherism: none of the characters here emerges with very much credit, not even Massey, who is until the last willing to market a total fabrication if it will get the crumbling estate off her hands. In the end, doubt is all: as she says, anyone who thinks God is the answer must seriously have misunderstood the question.

Like Wertebaker's "Three Birds" at the Royal Court, "Grace" is that comparative rarity, an investigation not only into the price at which Britain is currently being sold but also into the cost, and it is brilliantly directed by Mike Bradwell, who lines up the residents against the invaders and then lets Massey and Laurensen slug out a battle for territorial as well as spiritual supremacy while their followers gently fall apart at the seams.

Written in the 1890s but set back 30 years, Piner's "Trelawny of the Wells" (at the Comedy) is the first great backstage play: it tells of the coming of the "new drama" of the destruction of the old mid-Victorian actor-managers, of the rise of the realist playwright Tom Robertson, and of social barriers finally broken down between green room and drawing room.

It is also of course a love story, telling of Rose Trelawny and her ill-fated crossing of the tracks to marry the upmarket Arthur Gower, much to the horror of his vice-chancellor grandfather in Cavendish Square. As was established by a famous National Theatre revival 30 years ago, the play offers almost a dozen excellent character roles plus one major lead, taken now by Sarah Brightman in her nonmusical West End debut.

given us the chance to see both. As it is, we have to be content with the occasional offstage sound of Brightman's remarkable voice, and an on-stage presence which is still a little hesitant.

The production by Toby Robertson and Frank Hauser does offer the sight of Sir Michael Hordern harrumphing his social displeasure at the arrival of the "gypsies" his son has fallen for, and then the heartbreaking moment when he re-

calls his own theatrical passion for Edmund Kean.

One or two of the other players, notably Oliver Cotton as the radical dramatist and Margaret Courtenay and Peter Bayliss as the old actor-managers on the way out, perfectly capture the mood of the piece, but in the rest of a large and starchy cast both Jason Connery and Helena Bonham-Carter establish only that they should stick to the movies.



Ronnie Moore and Stanislav Tchassov in a brilliant new production of "Carousel."

Brecker Brothers, Act II

By Mike Zwerin
 International Herald Tribune

PARIS — We live in the age of sequels. Welcome to the Brecker Brothers Part II. Randy and Michael Brecker are pillars of bebop, hip-hop-jazz, rock fusion, rhythm and blues, Latin, World Music and just about any popular music style you can mention. Both of them readily admit that their new CD, "The Return of the Brecker Brothers" (GRP), is too tightly structured and studio and rock oriented to be called a jazz album. They readily admit to not much else.

Interviews can either be infuriatingly superficial or an invigorating exchange of information. It takes two (or three) to tango. Investing a psychic minimum and then only when prodded, on the limit of sultra, the Breckers appear to relate to the press as adversaries. Their record company representative told me they'd played even harder to get with the French journalists. Perhaps they've been asked too many dumb questions. It happens. I've been handed a lot of dumb answers. I am left with the impression of two guys ducking. Whatever the image, judging from a recent colorless Down Beat cover story, they are not in the habit of actively siding in-depth portraits. What should have been a fugue was like a curriculum vitae recital.

Trumpeter Randy played with Al Kooper's original edition of the jazz-rock fusion pioneer Blood, Sweat and Tears, Janis Joplin, Horace Silver, Cheech and Chong, Art Blakey and Jaco Pastorius's fabled Word of Mouth band. Michael came up with his brother in a fusion group called Dreams and grew into an institution through solo stints with James Taylor, James Brown, Joni Mitchell, Steely Dan and Bruce Springsteen. He began to play the EWI (Electric Wind Instrument), a wind-driven synthesizer, with the high-powered electronic MIDI-interfaced group Steps Ahead. Last year he recorded and toured with Paul Simon's "Rhythm of the Saints" world music ensemble.

They earned triple union scale as jack-of-all-trade studio sharks until the entire species was annihilated by computers. Gradually forced to concentrate on their own music, the fusion-fueled Brecker Brothers band recorded six albums before disbanding in 1982 and reforming after a decade on hold.

You can estimate musicians' intelligence by their improvisations. Choice of notes, melodic inventiveness, use of silence and rhythmic complexity reveal a lot about mental capacity. Musically, the Breckers have both changed the landscape in their way. Verbally, however, they were only practicing arpeggios. They reminded me of how superfluous I'd felt when, early in my career, I interviewed Zoot Sims, one of my heroes. I realized that the way he played, he didn't need to talk. Music was the way he expressed his intelligence. Some smart musicians are just not verbal.

Judging by the music, Michael is the more lucid. He has in fact formed the generation of saxophonists which followed him (he is 43). Many young players today seem to believe that jazz history begins with Michael Brecker. At his best he can be one of the most complete and exciting tenors around. His capabilities are impressively displayed on Pat Metheny's ECM album "80/81," which also features Dewey Redman on saxophone, drummer Jack DeJohnette and Charlie Haden, bass. A superior effort by last company — worth a detour.

Randy, 47, would seem to be more of a technician. Qualified enough to be counted among the top of his profession, his trumpet playing is nevertheless on the faceless side. He could be any one of a number of superior products of a basket of influences — Miles Da-



Michael Brecker, top, and Randy Brecker.

vis, Conte Candoli, Fats Navarro, Clifford Brown, Lee Morgan. His chops are obviously superior on many levels, but who is the person blowing the horn? Why is this man hiding? On-stage, he takes cover behind hats and dark glasses.

The new Brecker Brothers band (featuring Dennis Chambers, drums, and Mike Stern, guitar) will be touring on and off through the European summer festival season. In between and beyond, Randy is planning to go back into what he calls "my Brazilian mode" and to record some more jazz standards. Michael wants to explore new territory, to take time off to study of West African bikutsi music.

One way or another, they always make you sit up and take notice. But there is also the suspicion that they adept to a variety of tendencies a smidgeon too easily, you wonder about commitment, they investigate rather than extend trends. They were in the beginning of jazz-rock fusion, but John McLaughlin, Miles and Weather Report all took it deeper. And now they are back to it again.

"The fact that we are able to play a lot of styles helps," says Randy. "It isn't forced, it's part of our makeup. And the brother thing helps. People are naturally drawn to the family value thing. Subconsciously they just like that aspect. We started together and young and listened to many different styles of music. It was a natural evolution. This band encompasses everything we've ever learned in one nutshell. So to speak."

Enchanting Edwige Feuillère

By Thomas Quinn Curtiss
 International Herald Tribune

PARIS — Edwige Feuillère, *monstrée sacrée* of the French stage and screen, is delivering excerpts from her roles and recalling her experiences with authors and fellow players during her widespread career in an enchanting evening at the Théâtre de la Madeleine.

A great and beautiful actress, she has triumphed as the ideal Phèdre of Racine, the gorgeous Courtisane of "La Dame aux camélias," the tragic empress of Cocteau's "L'Anglais de deux états" and who could forget her cry of renewed courage when she thundered her defiance — "Who mentioned the wheel-chair" in Tennessee Williams's "Sweet Bird of Youth."

Feuillère, 85, made her debut as a member of the chorus to ornament one of Rip's witty revues. After graduating from the Conservatoire she entered the Comédie Française and toured with the company in Egypt.

The Hakim producers proposed that she star in a film about Marthe Richard, the French secret service agent of World War I who allegedly reported the information that resulted in the arrest and execution of Mata Hari. Raymond Bernard, the director and his star insisted that Erich von Stroheim play the German general entranced by Richard in Madrid who shot himself for his betrayal of military secrets.

Girardoux selected Feuillère for his play, "Sodom and Gomorrah." During its rehearsals she met a young beginner who had only a bit part, but his face and voice impressed her. She demanded that he be promoted to play the archangel who announces the fate that will destroy the cities of the plains. His name was Gérard Philippe and subsequently they co-starred on a film version of Dostoyevsky's "Idiot."

Jean-Louis Barrault persuaded Paul Claudel to allow him to stage his "Partage de midi." Feuillère impersonated Ys, drawn from a woman who had caused the pious poet to commit adultery.

With all the glamor that she has bestowed on the theater Feuillère is a modest lady. Yet she has written an absorbing autobiography, "Les Feux de la rampe," and an excellent biography of Claudel, the 18th-century French actress who — like her — excelled as Phèdre and was Voltaire's favorite. She appeared in all his plays and had at the Comédie Française, as her partner, Lekain, the most celebrated actor of his time.

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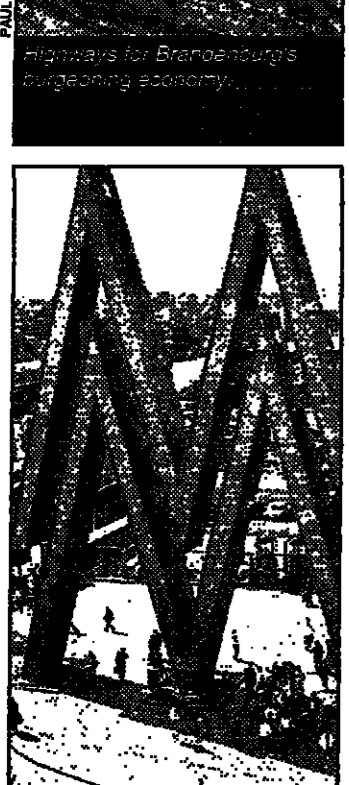
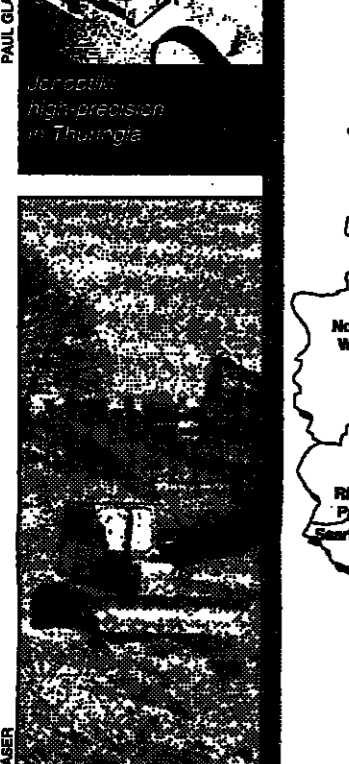
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GERMANY'S NEW FEDERAL STATES

Forging A Free Market Economy



 <p>SAXONY</p> <p>Population: 4.8 million. Area: 18,300 square kilometers (6,975 square miles). Capital: Dresden (pop. 501,000). Other major cities: Leipzig (pop. 510,000), Chemnitz (pop. 301,000).</p>	 <p>THURINGIA</p> <p>Population: 2.6 million. Area: 16,250 square kilometers. Capital: Erfurt (pop. 217,000).</p>	 <p>BRANDENBURG</p> <p>Population: 2.6 million. Area: 29,000 square kilometers. Capital: Potsdam (pop. 140,000).</p> <p>BERLIN</p> <p>Population: 3.3 million.</p>	 <p>SAXONY-ANHALT</p> <p>Population: 2.96 million. Area: 20,445 square kilometers. Capital: Magdeburg (pop. 290,000). Other major city: Halle (pop. 321,000).</p>	 <p>MECKLENBURG-WEST POMERANIA</p> <p>Population: 1.95 million. Area: 23,835 square kilometers. Capital: Schwerin (pop. 130,000). Other major city: Rostock (pop. 250,000).</p>
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MASSIVE INVESTMENTS IN PEOPLE AND INDUSTRY BEGIN TO PAY OFF

October 1992 marked the beginning of Year Three in the lives of Germany's new states. Despite the recession in the West, investment in the new states continues to gather steam, and the returns from the first two years' endeavors are manifesting themselves in positive economic statistics.

In a cautiously promising year for Germany's new states, October kicked off a very good quarter. At the beginning of the month, it was revealed that total domestic orders received by the manufacturing sector in the new states jumped 13.5 percent in September, with non-German orders rising 26 percent. Shortly thereafter, Germany's panel of leading economists — the "five wise men" — announced that the gross national product of the new states was on course to grow by 7 percent for 1992.

A week later, a poll conducted by the Deutsche Industrie-und-Handelstag (the German federation of industry and trade) revealed that, notwithstanding the recession in the West, three-quarters of the companies active in the region planned neither to curtail their capital investments nor to lay off workers, with 36 percent actually planning to expand productive capacity and 20 percent to add on employees.

rich-quick "cowboys" have abused investment support and other business-incentive funds.

What the statistics do indicate is the end of the "crunch era," in which old systems were being dismantled or falling apart and the new ones were being installed. They also show that during this phase, by and large, the new states' residents have even prospered somewhat.

One indicator: After initial astronomical hikes in 1990 and 1991, the number of people vacationing outside of Germany has increased a further 25 percent this year.

During the past two-and-a-half years, despite the need to compensate for factories closing and to fill empty municipal coffers, an unprecedented 80 percent of all funds allocated to the new states has

'THE PACE IS ACTUALLY GOING TO PICK UP IN 1993'

Jürgen W. Möllemann, Germany's vice chancellor and federal minister for economic affairs, appraises the current state of German development in the following interview. A member of the Bundestag since 1972, he was appointed federal minister of education and science in 1987, a position he held until 1991.



Mr. Möllemann: "Public-sector support is strong."

Several business journals describe the current situation in Germany's new states as the beginning of the "era of consolidation" and the end of the "era of crash action." Would you agree with that description?

No and yes. No, because the rapidity associated with the term "crash action" is still very much a feature of the development of the new states. In fact, anywhere you look — the number of telephone connections, the companies founded or privatized, the kilometers of roads and rails revamped, the factories commissioned — the pace is actually going to pick up still more in 1993. That is not surprising. Everything we have put in the pipeline during the first two-and-a-half years is coming on stream.

Yes, because the work of restructuring or setting up the institutions — state and local governments, companies, courts, schools — has largely been accomplished. These institutions now have a couple of years of experience under their belts. Now it is more a question of expanding, fine-tuning and seeing what still has to be done.

Recently, a number of major companies announced cutbacks on their capital projects in the new states. Are you still optimistic about investor interest in the region?

Dozens of press releases — many with ambitious plans for expansion, others announcing cutbacks — land on my desk every day. They run about three-to-one for expansion, at least count. Announcements do not detail trends — the facts do. And the facts speak for an unprecedented transfer of capital to the new states. This year, the public sector transferred 126 billion Deutsche marks (\$79 billion) net to the East, up 18 percent over 1991. Sixty per-

In view of the slowdown in Germany's western states, are the economies in the new states recession-proof?

The slowdown is not coming at an opportune time for either the old or the new states. After 10 years of solid growth, a slowdown was, of course, inevitable. However, a very large portion of the new states' gross domestic product comes directly and indirectly from the public sector. This strong support is set to stay at its present high levels over the next few years, long enough to see the region through any period of economic weakness in the West. In fact, the new states' GDP is forecast to grow by 4 percent in 1993.

You are part of the team presiding over a massive economic and social transformation. Did you ever have the hankering to step in and do some hands-on changing in, for example, a company?

As you may know, I am not a total amateur when it comes to business. Before getting into politics, I owned a public-relations agency. I liked the work and found it satisfying. What strikes me about the last two-and-a-half years since unification is how much we've been learning — people in the old states, in the new states, businesspeople, engineers, even politicians — about how things and systems are to be changed. And this change comes about, of course, through the relating of new ideas and techniques and the comparing of experiences. I see a challenge there, something to be pursued in the new states. That type of activity would interest me very much.

The public sector transferred 126 billion DM to the East, 60 percent of which went into plants, education and infrastructure

cent of that 126 billion DM went into infrastructure, plants and education.

Even more pertinent is the commitment by the private sector. Companies have allocated 80 billion DM to the new states this year — that's up 60 percent over 1991. There are many more facts, including the nearly 30 billion DM that non-German companies have put into the new states and the several billion marks invested by local companies in their areas. And there are going to be many more announcements in the newspapers, good and bad. But to really determine what is going on, to appreciate how a transformation of this size occurs, you have to go to where it is happening. You have to spend some time in Eisenach and Dresden and Leuna and Neubrandenburg and Potsdam and see the factories being built, the telephone booths and power lines going up.

Germany's leading economists announced that the new states' GDP was on course to grow by 7 percent for 1992

gone to their future: roads, education programs, electricity lines and manufacturing facilities.

The private sector has invested 30 billion DM in the region, with another 130 billion DM set to follow. That figure, of course, will be influenced by the speed of the economic recovery in the West.

To present-day Germany, beset by economic and social worries, autumn 1992's figures tell a simple, heartening story: This massive investment in the new states' human and physical capital is starting to pay off.

One beneficiary will be the German federal government itself. According to Cologne's authoritative Institut der deutschen Wirtschaft (Institute of the German Economy), tax receipts from the new federal states are expected to grow by 16 percent in 1993.

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AN EFFECTIVE EDUCATION

There are two parts to Germany's widely admired dual-education system: vocational schools, where young trainees learn occupational skills, and companies, where they put them into practice.

Both parts of the dual-education system were missing in the new states only two-and-a-half years ago, the former East Germany's vocational-training system was structured in an entirely different way. The fact that 108,000 young people in the new states (some 95 percent of all those expressing an interest in the system) are currently enrolled in the region's dual-education system must be regarded as a major triumph. Mechanics and electricians are favorite future professions for young men, while young women express a preference for sales and office professions.

Not that standard, academic education is being neglected in the East. While most high schools were undergoing a painful reorienting process of re-evaluating staff members and selecting new curricula and textbooks, the students themselves have proven to be highly adaptable.

The education industry has recently embarked on a second phase of growth. The sudden surge in demand for classrooms and teachers in 1990 and 1991 produced a number of unscrupulous, short-lived "management schools" and "technology-training centers." State authorities then instituted strict accreditation and supervising procedures.

Today, the growth leaders bear the names ATIS and TINA. At the region's innovation and technology-transfer centers, there are neither teachers nor students, only senior and graduate researchers. Progress is measured in patents received, not grades.

The 13 existing centers have been so successful that, according to the German business weekly *Wirtschaftswoche*, some 23 more are set to be founded. There is no shortage of researchers to staff them. Some 85,000 scientists and technicians were employed in the former East Germany's laboratories and test centers.

CRACKING DOWN ON VIOLENCE

Cities, states and the German federal government have launched far-reaching measures to halt further outbreaks of right-wing violence. Meanwhile, a parallel series of economic and cultural initiatives has been launched to build on the region's tradition of tolerance and peace.

It has not been a good year for nonviolence and civil peace. A riot laid waste to part of Los Angeles; ethnic wars have been tearing apart Yugoslavia, Afghanistan and dozens of other countries. In Europe, small groups of fascists and neo-Nazis have launched attacks against foreign minorities, whether these minorities be North Africans in France, African peddlers in Italy, or Gypsies and Vietnamese seeking asylum and Turks living in Germany.

Because of its past, Germany is the object of special concern. The country's present and future very much depend on the progress recorded by its new states, and it is there that some of the worst incidents have taken place.

These are the same states and the same people that staged the world's first truly nonviolent revolution only three years ago, and these same states have been welcoming hundreds of thousands of Poles and Czechs, commuters and shoppers, each day since then, with only a few incidents. If the willingness to spend one's vacation or get one's automobile fixed or hold one's wedding banquet in a neighboring country is an indicator of tolerance, then a vast majority of the new states' residents must be considered xenophiles.

This is, of course, not the time for categorizing populations or investigating causes. Urgent, determined action is needed, and Federal Minister of the Interior Rudolf Seiters and his state and local colleagues are acting.

At the end of November, membership in a number of neo-Nazi organizations was declared a crime. Marches by right-wing extremists have been routinely banned throughout the country since mid-October. In making this ban stick, local authorities have availed themselves of beefed-up police forces and stricter sentencing practices. To forestall future incidents, police have been systematically ransacking suspected centers of "right-wing terror" throughout the country.

Germany's President Richard von Weizsäcker, put it very simply: "This state will protect the foreigners in its midst."

Vectra Made in Eisenach



Opel factory: Automobiles anchor the region's economy.

THE MULTIPLIER EFFECT IN THE AUTOMOBILE INDUSTRY

By 1995, if all goes according to plan, 500,000 automobiles will be produced each year in Germany's new federal states, according to VDA, Germany's automobile industry federation. These automobiles represent the vanguard of a "born-again" automotive engineering sector in the region.

The automotive engineering sector in the eastern part of the country includes heavy-duty trucks from Gotha, motorcycles from Zschopau and state-of-the-art components from all over the region. The 10 billion Deutsche marks (\$8 billion) set to be invested in the automotive sector of Germany's new states over the next three years is a European record.

There were beaming faces all around in Eisenach on Sept. 23, 1992. Chancellor Helmut Kohl, who cut the ribbon at Opel's new facility, pointed out that 3,000 jobs were produced (directly and indirectly) by the 1 billion DM investment. Opel executives were witnessing the final step of a high-stakes project started 10 months before German unification.

Some two dozen Eisenach-based suppliers, ranging from a subsidiary of the Lear Seating Corp. (Southfield, Michigan) to a local engineers' office, watched in satisfaction as the first of what is to be 150,000 meal tickets a year rolled off the assembly line. For city fathers, Opel's factory meant the welcome end of the Wartburg era, in which Eisenach was synonymous with the manufacturing of East Germany's top-of-the-line automobile.

In March 1992, after a lapse of nearly five decades, BMW resumed operations in Eisenach, but this time, not as a manufacturer of 1929's "Dixi" or 1992's "7" series, but rather as a components producer. BMW's factory supplies machine tools and pressed-metal parts to both company factories and third parties. Eisenach reaps 120 million DM in investment and 120 highly skilled jobs.

BMW is part of what economists like to

call the multiplier effect: Each Deutsche mark invested or job created by an automobile manufacturer produces between four to eight others for national economies because of the decentralized nature of the automobile industry. Nowadays, in-factory manufacturing input accounts for only 20 percent to 50 percent of an automobile's total value. The rest is supplied by components manufacturers and service providers, which are themselves consumers of parts, machines and services. Another corollary: the better the local transport and telecommunication links, the greater the multiplier's effect on local communities.

VW's new automobile factory in Mosel, just outside the small Saxon city of Zwickau, is a case in point. Responsible for two-thirds of the company's 4.6 billion DM investment in Germany's eastern states and originally set to manufacture 250,000 Golf IIIs a year, the new factory will be supplied by 40 components manufacturers — including such well-known names as VDO, Benteler and Britain's GKN — located within 50 kilometers of the plant. Thanks to their ability to assure "ultra-lean" delivery times by using newly built and upgraded roads and rail lines, VW Mosel's manufacturing input will amount to only 26 percent.

The result: a multiplier of between five and seven, depending on how it is calculated. In the new states, some 35,000 persons will be working directly and indirectly for VW in manufacturing, sales and component manufacturing by 1994. Another 11,000 persons, employed by 76 local components manufacturers, will build parts for VW on a nonexclusive basis.

PIONEER DAYS ARE OVER FOR FINANCIAL SECTOR

The financial sector in Germany's new states has thrived from the very start. Today, according to the Bundesbank, a region-wide network of banks manages 171.4 billion Deutsche marks (\$107 billion) in funds, of which 161 billion DM stem from the new states' companies and consumers.

At a price of 3 billion DM, Deutsche Bank has purchased (or rented), staffed and equipped 330 offices in Germany's new states. There are now 181 communally owned Sparkassen (savings banks) blanketing the five states and East Berlin.

"Money palaces in the inner city" read the headline of a recent architectural critique in the *Süddeutsche Zeitung*. The subject was the aesthetic merits of the gleaming public-sector bank headquarters springing up in the new states' capital cities.

Over the last two-and-a-half years, there has been one constant in the region's financial-services sector: the relatively large amount of money the new states' residents had to save — and their willingness to do so.

This thriftiness had historical roots. For lack of attractive consumer goods and travel destinations, East Germans were big savers. With the advent of the economic union between the two halves of Germany, well more than 100 billion (East German) marks became 120 billion DM — the start-up capital for the new financial sector.

Today, residents in the new states save 12 percent of their incomes, as opposed to 13 percent in the West. Thanks to transfer payments from the West and strong, self-generated economic growth — and after

allowing for a 13-percent rate of annual inflation — these incomes have grown by 40 percent per capita, with pensioners recording a 75-percent rise in income. All told, living standards in the five new states have improved considerably.

Much of this collective financial power has been "recycled" by the region's banks. Nearly all of the 92 billion DM outstanding in loans made by the region's banks has gone to its private sector, in the form of "seed" capital for new companies and consumer credit.

While the private banks have been rapidly expanding their networks — by the end of 1993, 47 banking groups will have over 1,000 bank offices employing more than 20,000 persons — it is the brokerage houses that have been recording the greatest increases.

In a geometric increase over the past two-and-a-half years, there are now an estimated 600,000 people in the new states who own stocks and bonds. Their holdings are worth well over 10 billion DM.

The Sparkassen and other public-sector banks have kept pace with their private counterparts' growth. The Sparkassen's impact on the new states has been considerable, especially in the all-important housing sector. In 1991 alone, these savings banks authorized mortgages worth 29 billion DM to homeowners.

INVESTMENT INCENTIVES BOOST PRIVATE SECTOR

Since 1990, private-sector investors in Germany's five new states and in East Berlin have received 63 billion Deutsche marks (\$39 billion) in support from the German federal government alone (as of June 30, 1992). More than 13.3 billion DM of that has gone to start up new companies.

Other sources of private-sector resources are portions of the 6 billion DM the European Community has allocated to the country's new states, as well as the 140 billion DM the Treuhand has spent on revamping its 14,000 companies.

Ninety thousand of the 530,000 companies constituting the region's private sector were founded during the first nine months of the year. Two cheering statistics: Women head about 35 percent of the region's "young" companies; on an average, each new company has generated an additional five jobs, up from 4.4 only nine months ago.

Also included in the private sector are 65,000 doctors, dentists, architects, veterinarians, pharmacists and other self-employed professionals now practicing in the new states and East Berlin — up nearly 50,000 over the 1989 figure. More than half of these new companies and professionals made use of the following investment-support instrumentalities to set up their factories, workshops and offices:

For greenfield projects:
 • Investment subsidies amounting to a maximum of 23 percent of total project value may be drawn upon. Eligible for this type of funding are buildings and other facilities, excluded is property. Nonresident investors may also avail themselves of grants delaying up to 8 percent of the purchase price of machines and other capital stock; for local residents, the amount has been raised to 20 percent. Excluded from this item are automobiles or airplanes.
 • Special depreciation credits: These are reckoned at 50 percent of net project

value (after deducting investment-support funds), spread over five years and supplementing regular depreciation schedules.

• Temporary corporate and capital-gains tax exemptions and holidays are awarded on a case-by-case basis.

• Investors also benefit from regional and local grants for site demarcation and improvement, and for the construction of

- Temporary corporate and capital-gains tax exemptions and holidays are awarded on a case-by-case basis

water- and power-supply lines, sewage-treatment systems, roads and other kinds of infrastructure creation and improvement projects.

For purchasers of Treuhandanstalt companies:
 • Investment reorganization and expansion

NON-GERMAN INVESTORS ARE VERY MUCH AT HOME

By now, Alan Phillips, Barry Hylton-Davies and their colleagues know Spremberg, Königsee, Maltitz and Wernigerode very well. These expatriate executives have learned where to find these communities on a road map, which perhaps 90 percent of all Germans would have difficulty accomplishing.

These foreign executives have struck up a deep and practical intimacy with the communities' gas and water lines, grocery stores and landfill sites. In flawless or shaky German, they have worked out the nuts-and-bolts details with mayors, planning commissions and utility executives in Germany's new states involved in building clay-processing factories worth several hundred thousand Deutsche marks and chemical plants worth several billion.

Non-German companies from 31 countries have committed themselves to investing 14.7 billion Deutsche marks (\$9.2 billion) in Treuhandanstalt companies. Treuhand president Birgit Breuel points out, however, that this figure is both out of date and woefully incomplete. The figure does not cover "greenfield investments" in the eastern part of the country or those investments made via the TLG, the Treuhand's real-estate subsidiary. It refers only to initial investments, not to further, follow-up ones. Additionally, only direct investments in the new states from abroad are included. Missing, for instance, are IBM Deutschland's investments in the new states. Finally, a sale is only counted by the Treuhand when all contracts have been signed, approved and notarized.

Actual non-German investment should be approaching 25 billion DM, maintaining its traditional 13-percent share of total investment in the eastern part of the country. Confirmation comes from the "national" totals compiled by the Dutch and Belgian chambers of commerce in Germany, which show investment at levels 50 percent to 90 percent higher than the Treuhand's figures for their particular countries.

More impressive than the figures' scale is the scope and depth of activity associated with them. According to the latest count, 14 major non-German companies and non-German-led consortia are now providing water, gas and other "public goods" in the eastern part of Germany. British Gas Deutschland, Mr. Phillips' employer, for instance, is active as an investor, holding stakes in three natural-gas-supply companies. The company also serves as a technical contractor for the installation and renovation of natural-gas systems throughout the region and as a project manager for an innovative kind of neighborhood heating system being introduced in Thuringia.

Through nearly 100 newly founded and acquired subsidiaries, 31 non-German companies are building roads, bridges and overpasses, stringing electricity lines and conducting water, air and site audits in the region. Mr. Hylton-Davies has managed British-based John Mowlem's expansion into the new states. The company's subsidiaries acquired from the Treuhand are now active in everything from revamp-

ment support comes to a maximum of 15 percent (in some cases, 20 percent) of the purchase price. This grant cannot be applied to the purchase itself. Purchasers can negotiate releases from liability for the company's old debts and environmental practices. Other measures are the same as above.

For new companies:
 • Newly founded companies can avail themselves of the greenfield instrumentalities listed above. Two special programs also provide these companies with long-term, low-interest, unsecured loans of up to 1 million DM each. Loans made by the fledgling company's "Hausbank" and financed by the public-sector Deutsche Ausgleichsbank go to outfit the company with equity capital; credits from the European Recovery Program are applied to building, acquiring, equipping and expanding facilities and property, as well as to environmental-protection systems.

For all small and medium-sized companies:
 • Germany's public-sector Kreditanstalt für Wiederaufbau (KfW) also provides low-interest, long-term, deferred repayment loans of up to 10 million DM for companies whose annual turnovers do not exceed 1 billion DM (exceptions are made for companies with annual sales of 100 million DM or less).
 • All these loans feature low self-financing ratios (maximum: 40 percent) and high degrees of financial coverage: up to three-quarters of a company's total investment needs.

• An important rule of thumb: the smaller the company and the more "valuable" its area of activities, the more flexible the loan guidelines. An example: the upper limit of ERP eligibility is 500 million DM for companies active in environmental protection — 10 times higher than the program's normal ceiling.
 For all companies:
 • Many companies in Germany's new states are not "credit-worthy," as they have neither adequate collateral nor proven products. The country's "Bürgschaftsbanken" (guaranty banks) provide surety for loans of up to 20 million DM and beyond. Companies setting up new jobs or vocational training programs can avail themselves of a wide range of funds, as can enterprises in the agricultural, tourist and high-tech sectors.

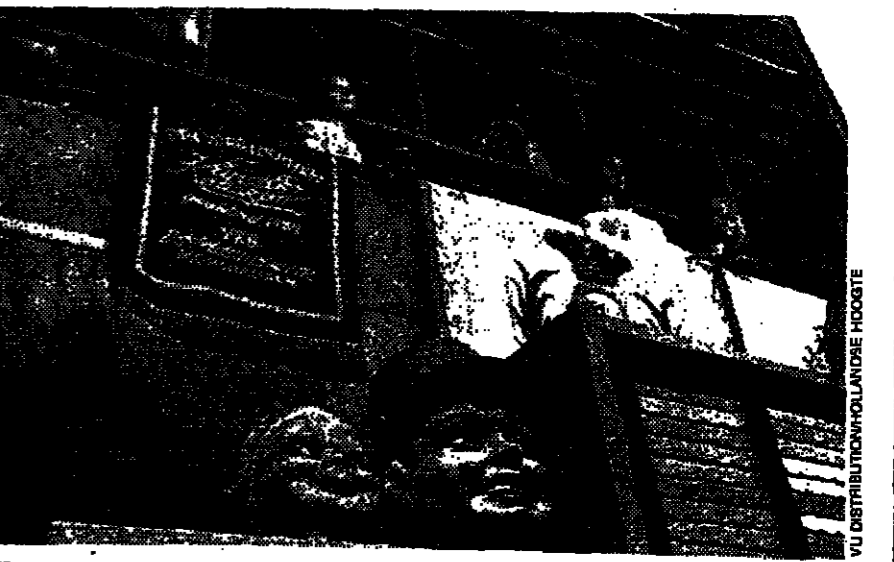
based consortium vehicle is the East German Investment Trust, a London-based venture fund. With 19 equity stakes and 142 million DM in commitments and funds, EGIT is the largest supplier of venture capital in Germany's new states. Other participants in Foron include the Kuwait Foreign Trading Contracting and Investment Company.

Lost in the hubbub about the market possibilities for the new refrigerator (20,000 units have already been ordered) and EGIT's swath of innovative investments was the fact that, as part of the deal, 950 jobs were saved — 450 alone at Waschgeräte GmbH Schwarzenberg I.L., a manufacturer of washing machines included in the dkk package.

That was the salient point for the residents of Scharfenstein and Schwarzenberg. The jobs — and Treuhand-organized work programs for 1,000 more people — represent economic survival for their two little towns in southwestern Saxony.

Although the effect of investors' actions is highly commendable, altruism is not part of the mix of motives impelling them to play "community-saver." Unimpeded access to the European Community's single market brought OMV, Austria's state-owned petroleum and chemical processor, to set up shop in Leuna, which is located in the southeastern corner of Saxony-Anhalt. A few kilometers down the road in Halle, a rare chance to get a jump on its West German competitors led Thames Water PLC to acquire a whole series of water-service companies, thus securing nearly 1,000 jobs.

Sometimes a purchase results from the German government's determination to preserve a region's economic base — and its willingness to allocate the funds to do so. The Warnow shipyards in Rostock were the center of the new states' ship-



The investment act: France's Compagnie Générale des Eaux bought Berlin's DEFA film studios.

On Nov. 24, 1992, the world's newspapers reported a story with a last-minute reprieve and a happy end. A buyer had been found for dkk Scharfenstein GmbH I.L., the struggling appliance producer, assuring that the world's first "eco-refrigerator" would be produced. This revolutionary product dispenses with freon and other ozone-depleting CFCs. It had been developed with the midwifery of Greenpeace, which provided dkk with the initial design, and the Treuhand, which kept dkk afloat until a buyer could be found.

For 112 million DM in cash and investment commitments, Foron Unternehmensbeteiligungen GmbH became dkk's new owner. Lead company in this Berlin-

building industry and the anchor of the entire region. As an allegedly nonviable competitor in an industry facing a saturated market, Rostock and its shipyards were being routinely described as a "coming industrial wasteland" by Germany's business magazines.

To make the Warnow shipyards an attractive partner, the Treuhand assumed the company's old debts, outfitted it with working capital and provided participation plans insuring Kvaerner, the purchaser, against undue losses or interest costs. Total funding was about 2.7 billion DM. Result: "An area of hope" is how Capital magazine recently described the Rostock area.

ADVERTISING SECTION

ADVERTISING SECTION

REALTY PROJECTS FLOURISH IN LEIPZIG

The demand for and the supply of large-scale commercial developments located on city peripheries are at an all-time high in Germany's new federal states. Even more sought after is inner-city real estate, but this often involves overcoming hundreds of restitution claims.

A new law is untangling the skeins of restitution claims, and new ownership and financing models may unblock the clogged residential property sector.

One of early November's most noteworthy stories was missed by much of the world's press, who were busy reporting on the projected cancellation of a 200 million Deutsche mark (\$125 million) truck factory. Over the next 10 years, in a 3.5 billion DM investment financed by Munich's Bayerische Hypothekbank, a new community will come into being some 14 kilometers (9 miles) west of Leipzig. Grosskugel, named after a village in the vicinity, will integrate both commercial and residential use, ecology and infrastructure; its 1.45 million square meters will house 8,000 inhabitants and companies employing 7,000 persons.

Perhaps the newspapers had simply grown tired of reporting on what was the 41st major real-estate development in Leipzig, a city of some 500,000 residents. Other developments include the Salselapark, set to be Germany's largest shopping mall; the Leipzig-Wahren logistics center (4 million square meters); the Weidenweg business park (4.2 million square meters); the MDZ (2.1 million square meters, including technology and media centers and a four-star hotel); and Mockau-Seehausen, whose 3 million square meters will house the city's new trade-fair grounds, a central distribution facility for Quelle (Germany's largest mail-order retailer), as well as several hotels, shopping centers and office complexes.

Does all this add up to a boom in Leipzig? As Leipzig is widely regarded as a microcosm of the new states as a whole, the question is of vital importance.

The answer is: not yet, and certainly not in every real-estate sector, according to Douglas Holoch of Jones Lang Wootton,

the international real-estate company. He points out that it will take time for all these projects to be approved and realized. During the next year, some 85,000 square meters of commercial space will be let, enough to satisfy pent-up demand — Leipzig has only one-tenth the office space of comparable West German cities. This new space will suffice to introduce reality into what had been a scarcity-driven, overblown market, in the opinion of Dieter Deissler, head of J.L.W.'s Leipzig office.

After 1995, in a novelty for the eastern part of Germany, there may very well be an overabundance of space, creating a buy-

During the next

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ers' market and a shakeout between viable developments — those with good transport links and central locations — and less viable ones. How large the supply of business-park real estate can get is shown by the neighboring state of Brandenburg. At latest count (not including single-owner developments), 880 busi-

ness parks with a total area of 95 million square meters had been registered with governmental authorities. Of those parks, 339 with a total area of 84.3 million square meters had received initial approval.

One hope, according to Angermann, one of Germany's leading realtors, is that the new supply of commercial real estate will relieve the chronically depressed residential market. At the moment, for lack of suitable space, many of the city's prime villas and apartment complexes are being used for offices. Many of the new developments come equipped with residential units.

Aside from that, only the new ownership and finance models proposed by Federal Finance Minister Theo Waigel and other leaders offer any hope of revitalizing this market, in which the number of living units (apartments and houses) started is currently running slightly below 1990 levels.

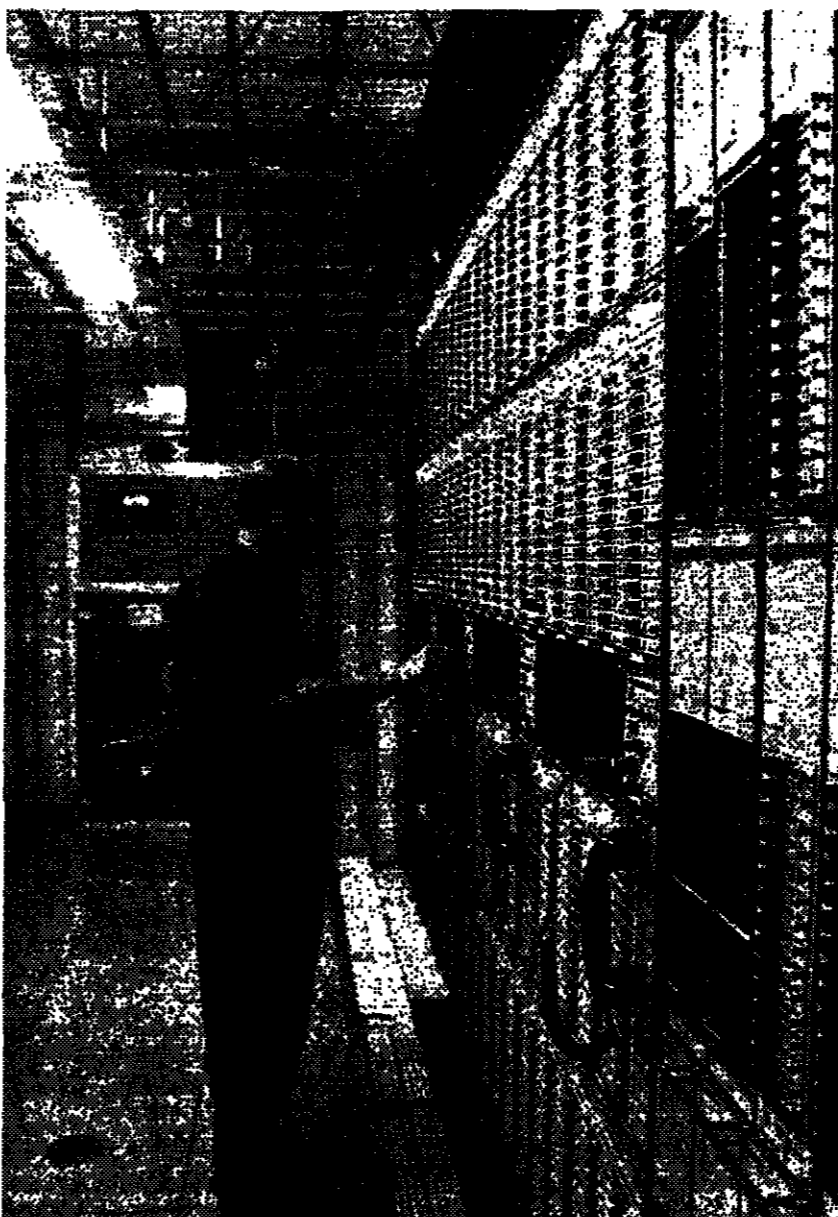
Although higher than they were before unification, rents are still too low to provide investors with much incentive to purchase Leipzig's 280,000 apartments, two-thirds of which require urgent, massive renovation after four decades of neglect. One plan is to let occupants, high in motivation and very short on cash, acquire their own units through a combination of long-term loans and sweat equity.

As the sudden flood of projects would indicate, a way has been found to deal with restitution claims, which once hamstrung both the real-estate market in both Leipzig and in Germany's new states as a whole.

It is not that the restitution problem has gone away: Only 8 percent of the 1.7 million claims for the return of property or buildings have been processed. Prime properties in Berlin and Dresden are attached with up to 800 claims. But thanks to Paragraph 3a and its successors (currently Paragraph 3, Article 6 of July 1992's law granting precedence to investment), a restitution claim does not necessarily hinder investment.

The paragraph, first incorporated into Germany's property rights law in March 1991 and successively beefed up after that, is simple in its thrust. A project is granted "right of way" over restitution if the project will provide greater benefit (in terms of jobs created or amount invested) than the return of a property to its original owner would. In such cases, the original owner receives cash compensation.

Key to Leipzig's situation is a little-noticed item in the July 1992 law. Project developers can petition to have all restitution claims bundled together and processed in a single hearing.



State-of-the-art telecommunications place the region on line with the world.

ECONOMIC CHANGE STARTS WITH EDUCATION

For the rest of the world, economic change on an unprecedented scale is the lead story from Germany's new federal states. Hundreds of billions of Deutsche marks are being used to transform an entire society and to provide a livelihood for 16 million people in the eastern part of the country.

For those 16 million people, the lead story has been taking place in classrooms — many classrooms. Never before has such a high percentage of a working population been undergoing further occupational education or vocational training at the same time.

It is not necessarily an altruistic love of higher learning that is leading the region's residents to education. To improve their qualifications and skills, 25 percent of the region's entire working force — or over 2 million people — have participated in occupational training programs in 1992, according to Cologne's Institut der Deutschen Wirtschaft (Institute of the German Economy). Over the past two-and-a-half years, an estimated 60 percent of the work force has taken part in such programs.

For 480,000 persons in the new states, full-time occupational training programs are currently substituting for gainful employment. The programs' curricula include computer programming, banking or technical marketing (a German specialty), as

well as such modern skills as doing one's own taxes and English.

Charles E. Brown, a Berlin-based American teacher of English, describes his adult students as "to a very large extent, very conscientious and even demanding." Mr. Brown has taught in occupational training programs held in Schwedt, an industrial city on the Polish border.

Of course, occupational opportunity and economic necessity are by no means the only motives inducing the region's residents to study. Higher education was a preserve of the politically correct in East Germany, and several hundred thousand people are taking advantage of their new intellectual and political freedom by enrolling in universities and *Gymnasien*, or secondary schools that prepare students for university.

All told, a whopping 38 percent of all those between the ages of 19 and 64 living in the eastern part of Germany are currently attending some form of educational program.



The development area on the outskirts of Berlin features excellent transportation links to Leipzig, Chemnitz, Dresden, Magdeburg and other urban centers.

TYING ECONOMIC CHANGE TO THE ENVIRONMENT

Communities, agencies and innovative programs have made environmental protection an innate part of economic growth in Germany's new states. The environmental damage in the region was enormous, but the progress made and the opportunities created have been on the same scale.

As any resident in or visitor to the new states in late 1990 and early 1991 can attest, the eastern part of Germany had immediate, serious environmental problems. The air was chokingly bad, the water undrinkable, and the rivers were often unimaginably polluted. There was a problem with toxic waste — how large it was and how many thousands of sites were involved, no one knew.

These days, the air is good in East Berlin, Halle and Dresden — or at least as good as it is in West Berlin, Paris, Barcelona and any other major city on this automobile- and industry-ridden planet. The amount of sulfur dioxide and nitric oxide in the region's air has been halved. You can fish in the Elbe River these days, although you would not want to swim in it. Some 60,000 waste sites have been catalogued. The 1,200 "hot spots" are being cleaned up.

Over the past two-and-a-half years, 8.5 billion Deutsche marks (\$5.3 billion) have been spent by the German federal government and the European Community on 1,850 projects: installing sewage systems, new water lines and exhaust filters. The amount of additional outlays by regional and community authorities and the private sector are unknown, but they are estimated to be at a similar level.

Money was not the only factor causing this remarkable turnaround. Also playing key roles were, surprisingly, economic bad luck and a forgiving environment.

The sudden, unexpected collapse of East European markets caused a drastic drop in orders received by the new states' manufacturers. Modern producers — including those in the automobile and telecommunications sectors — have overcome the slump and found new markets, recording double-digit rates of growth. In a display of economic Darwinism, the slump speeded up the phasing out of the "prime polluters" — massive, older plants.

The impact was immediate. The smokestacks and the sewage pipes stopped belching pollutants; air and water quality improved dramatically. Some of the East German government's "environmental desecrations" (in the words of "Der Spiegel"), however are of a scale requiring generations and billions of marks to ameliorate. Examples include the uranium mines at Wismut, Saxony (budgeted to receive 4.5 billion DM in federal funds) and the strip coal mines in southeastern Brandenburg, northern Saxony and eastern Thuringia. The full dimensions of the Soviet despoliment of their 1,000-odd military sites in the region are only now becoming apparent.

In the eastern part of Germany, the striving for economic progress and the need for environmental improvement have dovetailed nicely.

Investors were eager to buy Treuhand companies, but they were apprehensive about possible environmental liability suits arising from past (East German) practices. Much of the region's initial environmental auditing was carried out at the behest of the Treuhand. The agency then used the findings to negotiate liability exemptions and ceilings with investors. A recently agreed-upon formula limits investor liability for pre-1989 environmental misdeeds to 10 percent in many cases and sets ceilings upon cumulative exposure. Financial responsibility is generally split on a 60-40 or 75-25 basis between federal and state authorities. To make the agency's companies salable, it has often been necessary to trim the companies' bloated work forces. Some 150,000 people in the eastern part of Germany have found gainful employment each year in government-financed environmental cleanup programs.

Saxony-Anhalt's "chemical triangle" — formed by the cities of Bitterfeld, Halle and Merseburg — had both a reputation for being "Europe's dirtiest area" and for having a highly skilled and motivated work force and a central location. It was imperative to shut down the existing plants, and it was just as imperative to find a livelihood for the entire region. Thanks to a closely coordinated effort by the federal and state governments and the Treuhandanstalt, the "chemical triangle" now has a future as one of Europe's most modern industrial regions. A fair amount of public-sector support and a bit of horse-trading have convinced Germany's VEBA, Italy's ENI and France's Elf to invest 14 billion DM in building state-of-the-art production facilities located in the "triangle."

Communities were anxious to provide their citizens with high-quality "public goods" (drinking water, natural gas and electricity, to give a few examples), but they were short of the know-how and the



Filling depleted mines in Saxony: The environmental cleanup is a bottom-to-top affair.

resources to do so. Enter Eurawasser, a German-French consortium made up of Thyssen Handelsonion (51 percent) and Lyonnaise des Eaux-Dumex (49 percent). In the largest deal of its kind in Germany to date, this consortium will operate Rosstock's water supply and sewage systems starting from January 1993. The consortium's "rent" is the 900 million DM it will invest in the city's system. Its "return" accrues from users' fees. Similar deals have been concluded in the natural-gas supply, waste-disposal, electricity-generation and other systems.

Disposing of waste is always a dirty and difficult proposition, but when this waste is composed of the surplus equipment and munitions of an entire army, then the element of danger has to be factored in. Or at

least so it would seem. For Buck-Werke, the disposal of over 3 million pieces of munitions and equipment from the NVA (the former armed forces of East Germany) has been just another job — albeit with a twist. Over the past two decades, ordered from the West German army accounted for 90 percent of the Bavaria-based company's turnover. Today, its disposal activities in the Brandenburgian town of Pinnow have given the company, once facing a drastic drop in business, a new lease on life. For Pinnow and its fledgling business park, Buck, too, has proven a godsend. The company is investing profits earned from munitions disposal in new manufacturing facilities in Pinnow. Products include hospital beds, mobile homes and offices.

LINKS TO THE CENTER: MAGDEBURG RENEWS ROLE

In 1991 and 1992, Germany spent nearly 30 billion Deutsche marks (\$1.9 billion) on bringing the transport infrastructure in its new states up to Western levels. Over the next 20 years, some 160 billion DM and 52 major projects will follow.

For cities such as Magdeburg, the most dramatic improvement in its rail, road and water links has already occurred. It was free and came (literally) overnight.

On paper, Magdeburg — now the capital of the state of Saxony-Anhalt — was always centrally located. It was on the country's two main east-west rail and road connections, running from Berlin to Hannover. The Elbe river, one of Germany's great freight arteries, connected this city of 288,000 inhabitants to Hamburg and the North Sea; the Mittelland canal linked Magdeburg to the Rhine and Ruhr industrial areas.

Of course, in the days before November 1989, these connections did not do the city's residents or their economy much good.

The most immediate consequence of the tearing down of the Berlin Wall was an influx of traffic to, from and throughout the region, restoring centrality to Magdeburg and other "frontline" cities. Initially, this influx was made up of sightseers. Today, 500,000 people commute every day from Saxony-Anhalt and other new states to jobs in the west. Automobile ownership in Germany's new states has risen 60 percent over the past two-and-a-half years; automobile use, by twice that amount.

While the residents of the new states head west, tourists and business executives head east; collectively, the new states have become the favorite destination of West Germans. The roads all these people are traveling on are being systematically widened and upgraded. In 1991, 450 kilometers of the region's 3,700 kilometers of autobahn were completely redone, with a total of 1,700 kilometers undergoing some form of improvement.

Traffic jams are often the result. German traffic planners have allocated two-thirds of all transport funds devoted to the new states over the past two years to revamping the region's 1,000 kilometers of rail track, purchasing new rolling stock and refurbishing stations. Over the long term, 57 percent of funds will go to the region's rail system. The goal is to more than double the percentage of people and goods transported by rail — from 19 percent to 40 percent by the end of the 20-year period.

Fitting the envisioned 12 new or rerouted rail lines, 37 highways, two waterways and at least one airport into a 20-year period is itself a major accomplishment. Throughout the world, infrastructure planning and building is a tortuous, lengthy process; in Germany, throughput times of 24 years are not uncommon. For its new states, Germany has adopted a number of administrative procedures that greatly speed up the approval process.

FRANKFURT/ ODER LINKS UP WITH THE EAST

Frankfurt/Oder has 84,000 inhabitants and is located in the state of Brandenburg. Across the Oder River to the east lie Poland and the town of Stubice.

"Frankfurt/Oder and Stubice now form a single metropolitan area," recently declared Der Spiegel, commenting on the integration of the two communities' economies and cultural lives.

To further promote the good-neighbor ties of the Oder region — as Walter Hirche, Brandenburg's energetic minister for economic affairs, has dubbed it — Brandenburg and the Polish authorities have created an extensive range of binational entities and laws. These include everything from a chamber of commerce and investment subsidies to tax breaks and a business-promotion authority with headquarters in Poland. A World Trade Center will be built in Frankfurt/Oder; the municipality of Stubice will be one of its owners. An island in the Oder will become a free trade zone. Eisenhüttenstadt (Brandenburg) and Zielona Gora (Poland) are to be linked in a pan-Oder industrial park.

Not all these initiatives are purely economic. A polytechnic — in which both German and Polish will be languages of instruction — is being founded, as is the Lower Oder Valley international nature preserve.

INVESTOR'S ATLAS

SAXONY

Saxony was a center of Germany's industrial revolution. Its mechanical engineering industry led the world in the pre-World War II era. Leipzig was traditionally central Germany's trading, publishing and financial center. Its trade-fair authority is the oldest in the world and has recently been reorganized. Quelle, Germany's largest mail-order company, is building a distribution facility in the city's vicinity. Royal patronage made Dresden and neighboring Meissen Europe's center for fine manufacturing: porcelain, jewelry, weapons, silver and gold. Today, publishing (Bertelsmann), telecommunications and electronics (Siemens) and pharmaceuticals (Asta) are three of the area's major industries. Meissen has remained a leader in its field. Southwestern Saxony is once more one of Germany's prime automobile-manufacturing centers.

THURINGIA

Thuringia is known for its forests — the state has been dubbed the "green heart of Germany" — and its automobiles, textiles, optics and precision mechanics. Eisenach, the original production site of BMW, now features a billion-mark, state-of-the-art Opel facility, plus several hundred automobile-component manufacturers. After a successful restructuring, the Jena region is once more producing planetaria, microscopes, lasers and electronics. Thuringia has two of Germany's foremost tourist attractions: Weimar, where 2 million people have visited Goethe's place of residence and other cultural attractions this year, and the Wartburg, the fortress where Martin Luther sought refuge.

BRANDENBURG BERLIN

Brandenburg and Berlin have announced plans to merge by the end of the decade. East Berlin is becoming one of Europe's retail, business and governmental services centers. Investors include Daimler Benz, Sony, AEG, ABB and Galeries Lafayette. With the impending transfer of the government to the city, the pace of construction is heated. BMW Rolls-Royce, Heidelberger Druck, Mercedes Benz and AEG are just a few of the companies settling on or near the city's beltline. BASF is building a 2.3 billion DM facility in southern Brandenburg's lignite industry. Krupp's 2.7 billion DM investment has given eastern Brandenburg's steel industry a new future. Petroleum refining and processing facilities are located in Schwedt, where VEBA has made a 2.3 billion DM investment. About 2.2 billion DM have been invested in the city of Brandenburg's industries.

SAXONY-ANHALT

Saxony-Anhalt offers a contrast between the idyllic Harz mountains and the "chemical triangle" of Bitterfeld, Halle and Merseburg. The sublime Harz are quickly becoming a European favorite again. A very promising future lies in store for the triangle. Some 14 billion Deutsche marks (\$9 billion) have been invested in the region by Elf, Eni, VEBA and other companies, giving the region some of the most advanced industrial facilities in Europe. Energy, chemicals and petroleum products will be staple items. In rural Haldensleben, one of Europe's major mail-order catalogue distribution facilities is being built.

MECKLENBURG-WEST POMERANIA

This state has become a favorite with North European investors. Thanks to billion-mark commitments by Kvaerner, TTS and other major Norwegian marine-engineering companies, the state's shipyards — centered in the Rostock region — will be modernized. Danish companies have been active purchasers of farm and food-processing industries throughout the state. Schwerin and Neubrandenburg are other industrial centers. Its 380 kilometers (236 miles) of Baltic sea coast have made the state the favorite vacation spot for residents of north Germany's crowded cities. Today, hotels, restaurants and roads are being built or restored all throughout the state. A new species of vacationer — the "green" tourist — is enjoying Germany's largest natural preserve, located on the east coast of the Murtzsee.

STATE BUSINESS PROMOTION AGENCIES

WIRTSCHAFTSFÖRDERUNGSGESELLSCHAFT MBH DES LANDES SACHSEN
Alberstraße 34
D-O-8060 Dresden
Tel.: (49-351) 502 29 81
Fax: (49-351) 502 30 30

THÜRINGER LANDESWIRTSCHAFTSFÖRDERUNGSGESELLSCHAFT MBH
Arnstädter Straße 28
D-O-5082 Erfurt
Tel.: (49-361) 38 12 78
Fax: (49-361) 381 230

WIRTSCHAFTSFÖRDERUNG BRANDENBURG GMBH AM LEHNITZSEE
D-O-1501 Neu-Fahrland
Tel.: (49-331) 276 63
WIRTSCHAFTSFÖRDERUNG BERLIN GMBH
Budapester Straße 1
D-W-1000 Berlin 30
Tel.: (49-30) 26 48 80
Fax: (49-30) 26 48 82 39

WIRTSCHAFTSFÖRDERUNGSGESELLSCHAFT FÜR DAS LAND SACHSEN-ANHALT GMBH
Wilhelm-Höpner-Ring 4
D-O-3037 Magdeburg
Tel.: (49-391) 382 27 03
Fax: (49-391) 615 135

WIRTSCHAFTSFÖRDERUNGSGESELLSCHAFT MBH DES LANDES MECKLENBURG-VORPOMMERN
Wismarsche Straße 152
D-O-2750 Schwerin
Tel.: (49-385) 836 04
Fax: (49-385) 812 987

FOR MORE INFORMATION

FEDERAL MINISTRY OF ECONOMICS BERLIN OFFICE (responsible for non-German investment in the new states)
Unter den Linden 44-60
D-O-1080 Berlin
Tel.: (49-30) 3 99 85 100/101.461
Fax: (49-30) 3 99 85 235
Contact: Helga Manneck, Ken Bremer

TREUHANDANSTALT (charged with the privatization of the East German state companies and properties)
Detlev Rohwedder House
Leipziger Straße 5-7
D-O-1080 Berlin
General information:
Tel.: (49-30) 31 54 10 37
Fax: (49-30) 31 54 10 36

Information for investors:
Tel.: (49-130) 82 84 81 (toll free for investors inside Germany)
Fax: (49-30) 25 15 184
Information on real estate:
TLG Treuhand-Liegenschaftsgesellschaft mbH
Alexanderplatz 6
D-O-1020 Berlin
Tel.: (49-30) 31 54 70 00 (information hotline)

TOURISM: ON THE WAY TO GREAT OPEN SPACES

Estimated 15 million Germans, French, Americans, Japanese and several dozen other nationalities have come this year to see the glories of Dresden, Weimar, Potsdam, Dessau and other cities in the new states, according to a research institute specializing in tourism in Germany's new states.

THE TREUHANDANSTALT, AFTER PRIVATIZATION

The Treuhand has privatized more than three-quarters of the former East Germany's public sector economy. Of the 3,200 or so companies that remain in the agency's stewardship, two-thirds are in some phase of the sales process. Today, new responsibilities await the agency.

An emerging area of activity for the Treuhand is supplying hard-won expertise to other countries' privatization programs. In addition, up to 14,000 contracts with investors will have to be monitored for compliance.

October was a good month for the Treuhand. An additional 415 companies were privatized, bringing the agency's two-and-a-half-year total to more than 9,250. Total investment commitments rose to 157.6 billion Deutsche marks (\$98.5 billion), and 1.3 million jobs have been guaranteed by the companies' new owners. Hero Brahm, the agency's vice president, reports that investors have actually been meeting their contractual obligations. According to a recent Treuhand survey, cumulative investment is running slightly below the target amount, while jobs secured are slightly above target.

October was a very good month for Karlhermann Klitschen (the agency's head of investor relations), the Treuhand's New York office and the rest of the agency's international sales team. With 2.67 billion DM in investment commitments, the United States has surged past France for the lead in non-German corporate purchases of Treuhand properties. Once major, French-led projects such as DEFA and MINOL are factored into the figures, France is expected to regain its perennial hold on the top spot. Total purchases by non-Germans of Treuhand properties now amount to 14.3 billion DM.

In the agency's immediate future — according to Birgit Breuel, its president — is the sale of the remaining 3,200 or so companies in its stewardship, of which two-thirds are in some phase of the sales process. Of the companies left to sell, only

2,000 are actually operating companies, according to Mr. Brahm; the rest are "shells." By the end of 1993, Ms. Breuel expects only a "hard core" of 500 companies to remain under agency administration.

The United States has surged past France for the lead in non-German corporate purchases of Treuhand properties

These companies are both vital to the industrial future of the region and difficult to sell. They are concentrated in such high-skilled, difficult-to-market sectors as heavy machinery, metal processing and plant installation. At the moment, the ranks of these companies include such time-honored names as SKET and Manfeld. The Treuhand has a very good record of privatizing apparent basket cases, as the recent sales of shipbuilding and chemical companies show. The agency has devel-

oped an innovative form of corporate ownership called the "management KG" (the "Kommunikationsgesellschaft" is German for a partnership limited by shares). In the management KG, experienced company doctors are placed at the head of companies owning a range of individual enterprises, allowing these managers to "multiply" their expertise. Finance is provided by private-sector sources and backed by public-sector guarantees.

At the latest report, two such holding companies were in existence. The management KG could very well serve as a model for the German federal government's newly announced plans to ensure the survival of the region's "industrial problem children." Although no long-term industrial management activities are prescribed by the Treuhand's brief, it could well be that senior agency executives participate in what presumably will be a variety of state-owned holding companies.

To sell its sometimes unwieldy charges, the Treuhand has often split them into more coherent, compact units. By the time the privatization process has been completed, the Treuhand may have concluded as many as 14,000 contracts with investors. These contracts contain long-term obligations for both parties. Investors have bound themselves to spend a certain amount of money and to hire a certain number of people. Both the Treuhand and the investor share liability for any environmental cleanup costs.

The Treuhand's main role in 1993 will be to monitor adherence to these contracts and to be a party to cleanup efforts. Another activity will be to help supervise the liquidation of the 220 billion DM to 250 billion DM in debt that the agency has incurred in forging the region's private sector.

Some of the agency's personnel are already in Estonia, Belarus, Bulgaria and other Eastern and Central European countries. They are representing the TOB (Treuhand Osteuropa Beratungsgesellschaft), the Treuhand's consulting arm. Treuhand spokeswoman Ulrike Grunrock reports that the TOB, founded only half a year ago, is now itself a candidate for privatization.

Once in the region, these tourists often made other, definitely non-urban discoveries. An "allee" is not, as one might think, an avenue, but rather a road lined with trees and sheltered by their foliage. Progress has widened most of Western Germany's allees out of existence, but they are still a staple of the countryside from Saxony to Mecklenburg-West Pomerania and points between.

North of Berlin and east of Hamburg is a vast expanse of thousands of half-forgotten lakes and castles. Beyond that is a coast of sandy beaches and gently rolling Baltic surf, and cities with names once featured in books by Theodor Fontane, Thomas Mann and Kurt Tucholsky.

There are delightful surprises awaiting visitors in all of Germany's new and old

ists. The state is large and thinly populated; just under 2 million people live on its 23,835 square kilometers (9,200 square miles) — 83 persons per square kilometer.

Mecklenburg-West Pomerania builds ships in Rostock, has industrial centers in Neubrandenburg and Schwerin, and farms in its southern districts. Aside from that, there is nothing but nature — and tourists. Unspoiled nature is best represented by the Murtzsee, Germany's second-largest lake. Its east coast will become Germany's largest nature preserve. Continuing a 170-year-old tradition, the tourists head north each summer from Berlin, Leipzig and "southern" cities for a taste of the sand and the sun on the "Mecklenburgish Riviera."

Nowhere is Mecklenburg-West Pomerania more idyllic than on its 320 islands and "half islands" (peninsulas). The largest island is Rugen, 40 percent of which (including most of its allees) was recently declared a national monument. On Rugen's "little sister," Hiddensee, there are 1,300 inhabitants, two ferry ports and no automobiles to be found along its 17 kilometers (10.5 miles).

There is also a discreet number of hotels, restaurants, snack bars and whatever else tourists require to enjoy their vacations. Restaurants may sometimes go by the rather outdated terms of "Gaststätte" or "Bratstube," but they are easy to locate throughout the eastern part of the country.

Accommodations are another story. They are there, but often bear misleading names. Hotels are either very old, worthy relics of previous golden eras or very new, post-unification outposts of major chains or, very frequently, former guest houses of the FDGB (the former East German official union) or a Kombinat (vertically integrated industrial unit). Often, the only difference between the motels and hotels is their names. As the sudden proliferation of signs bearing the words "Zimmer" (room) and "Ferienwohnung" (vacation apartment) would indicate, private rooms have also come to the region.

How many beds are there on Hiddensee? "At the moment, somewhere around 500. The number keeps on growing," says a somewhat harassed tourist official.

North of Berlin and East of Hamburg is a vast expanse of lakes and castles, and beyond that is a coast of sandy beaches

states. The longest allee is in Brandenburg, and the most regal ones are outside Dresden. The Baltic also laps on beaches in Schleswig-Holstein. What are allegedly the country's most beautiful allees (near Bad Doberan) and its longest sandy beach (on the island of Usedom) are both located in Germany's "emptiest" state, Mecklenburg-West Pomerania.

Mecklenburg-West Pomerania is "underdeveloped." This matter of ministerial concern is the source of pleasure for tour-

SHOOTING STARS

Following is a selection of companies and business executives from the new states that are making their marks on world markets.

• **Jenoptik, Jena.** Aided by 3.6 billion Deutsche marks (\$2.25 billion) in governmental and Treuhand funds, Jenoptik, one of two successor companies to Carl Zeiss Jena, now boasts a portfolio of state-of-the-art products: filmless infrared cameras, direct printed circuits and ultraprecise lasers. Lothar Späth, the former prime minister of Baden-Württemberg and now Jenoptik's chairman, has convinced more than 100 other Western high-tech companies to set up shop on premises parceled off from Zeiss Jena.

• **Fritz Jäger, Neubrandenburg.** The highly successful proprietor of Germany's Willich group (600 million DM annual turnover from insulation and interior finishing) first came to the Mecklenburg countryside

as a tourist, then as a gentleman farmer. Today, while Willich is becoming a major player in the new states, Mr. Jäger's other interests are also flourishing. His new empire consists of a door and window operation, a building-services-and-materials company, a vocational training center and livestock. All told: 10 million DM turnover this year.

• **ZF Brandenburg GmbH, Brandenburg.** In 1990, Andreas Hohrein and Berthold Pavel were senior mechanical engineers working for a transmission producer, which was suddenly out of orders and nearly bankrupt. Mr. Hohrein and Mr. Pavel cleared the old machinery out of the facility and convinced ZF Friedrichshafen, Europe's largest gear producer, to purchase the company from the Treuhandanstalt. This year, after a 50 million DM investment from ZF Friedrichshafen, ZF Brandenburg will record sales of well over 100 million

DM. Clients include BMW, MAN and Renault.

• **Rainer Btsch, Berlin.** He started with an order to paint electricity-line poles and expanded into the installation and maintenance of cogeneration plants. Then he chanced into automobile sales and saw opportunity in construction. In 1992, Mr. Btsch's companies are projected to have sales of 70 million DM.

• **Köbler & Niethammer Papierfabrik Kriebitz AG, Kriebitz/Saxony.** The paper factory was founded by Berndt Niethammer's great-grandfather. In 1945, the Soviet occupying army dispossessed and arrested his family. After the November revolution, Mr. Niethammer came back to Saxony, bringing with him his expertise as a successful paper manufacturer in Baden-Württemberg. Elected by the work force to run the paper factory, which was on the verge of bankruptcy, Mr. Nietham-

mer turned it around. Once more profitable, the paper factory now records 80 percent of its sales from Western clients.

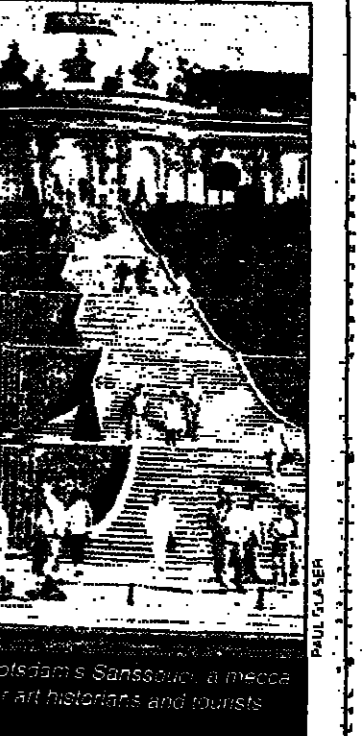
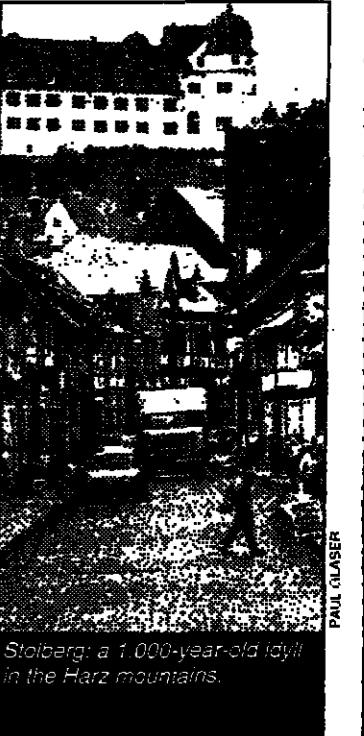
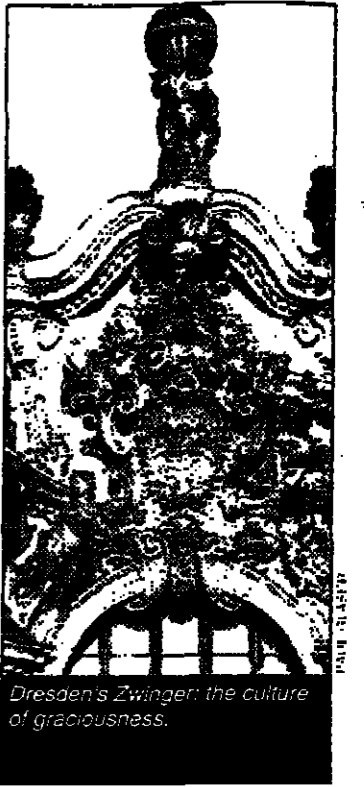
• **Peter Krause, Berlin.** Germany's Entrepreneur of the Year in 1991, Mr. Krause worked for an East German office-supply enterprise until August 1989. After a short stint as a free-lance photographer, he perceived a need in the new states for office supplies on a wholesale basis. For 1992, Mr. Krause expects a turnover of about 16 million DM.

• **Wemex, Berlin.** Thomas Steiger's Wemex will earn 18 million DM in computer hardware and software sales and services this year. Not bad for a company that did not exist three years ago. Mr. Steiger's other interests include an Eastern European-oriented trading house, an environmental engineering company, and a hotel and restaurant supply service.

• **TRP Tief-und Rohrleitungsbau**

GmbH, Potsdam. Siegfried Benn and Thomas Schorer were two civil engineers with a common vision of the trillion-mark need to revamp sewage and transport infrastructure in the new states. In a management buy-out, they took over TRP and found 45 million DM in financial support from a Nuremberg-based company. In 1992, TRP will turn over 120 million DM. The company has increased its original 420-strong workforce by an additional 230 persons.

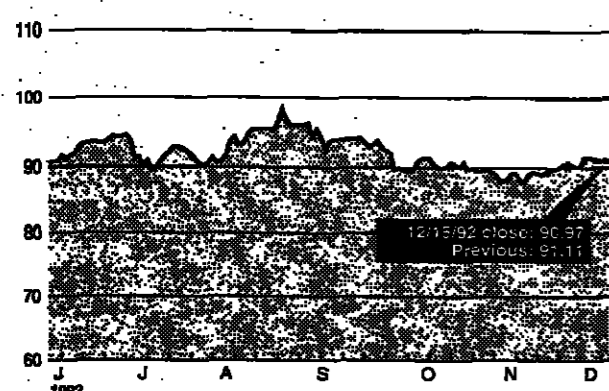
• **DFA, Chemnitz.** It has been a good year for this finisher and plant-construction company. Its 5,000-strong work force has doubled its productivity, and the company will do "a little bit better than break even," says a director. Goals for 1993: 25-percent growth and perhaps a change of ownership. DFA is still owned by the public sector.





THE TRIB INDEX: 90.97

International Herald Tribune World Stock Index @, composed of 230 internationally investable stocks from 20 countries...



The index tracks U.S. dollar values of stocks in: Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland...

Table with 3 columns: Asia/Pacific, Europe, N. America. Includes closing and previous values for each region.

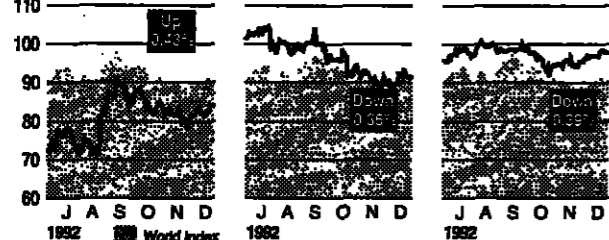


Table titled 'Industrial Sectors' with columns for sector, time, price, and change. Includes Energy, Utilities, Finance, Services, etc.

For readers desiring more information about the International Herald Tribune World Stock Index, a booklet is available free of charge by writing to Trib Index, 181 Avenue Charles de Gaulle, 92221 Neuilly Cedex, France.

Can Britain Fight the Import Tide?

By Erik Ipsen. LONDON — Economists looking for signs of deep-seated problems in the British economy usually get no further than the trade balance. They have no need to. "The figures are appalling," said Bill Martin, chief economist with UBS Phillips & Drew.



NEWS ANALYSIS. Second of two articles. British demand is increasingly being met by non-British suppliers. This is an ominous and humiliating predicament for the world's first industrial nation.

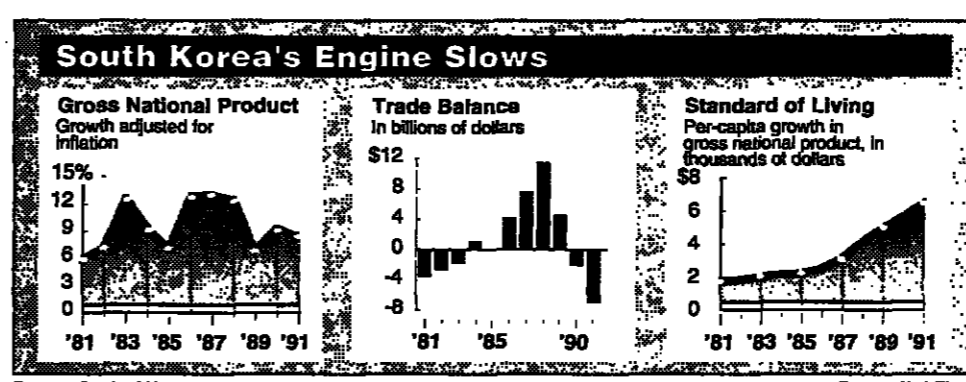
problem is not that we are hopeless at doing anything, but that the supply base is not big enough to meet the demand of both the domestic and export markets. Economists estimate that the capital base of British manufacturers — its stock of machines and material to make things — has fallen slightly since 1979, the year before Britain's last recession.

Leasing Firm Orders Planes Worth \$4 Billion

United Press International. LOS ANGELES — International Lease Finance Corp., taking advantage of one of the best buyers' markets for jets in years, announced Tuesday it would spend \$4.1 billion in the largest aircraft order of 1992. ILFC, a unit of American International Group, said it would acquire 53 aircraft from Boeing Co. and 28 from Airbus Industrie and one from McDonnell Douglas Corp.

Seoul Losing Faith In Formulas of Past

'New Japan' Fears Falling Even Further Behind Tokyo. By Andrew Pollack. New York Times Service. SEOUL — South Korea, which only five years ago was being looked upon as the next Japan, is coming to grips with the notion that it might not be so easy to get there after all.



South Korea's Engine Slows. Below that of Japan (\$26,920), the United States (\$22,560) and Britain (\$16,750), according to the World Bank.

Indeed, as South Koreans prepare to vote on Dec. 18 to elect a new president, the economy has become the major campaign issue. There is a sense of foreboding that the rapid progress has stalled, and there is a growing consensus that the economic system that has carried South Korea so far so fast can carry it no further, indeed, that it must change in as fundamental a way as the political system has.

Now, said Bae Soon Hoon, president of Daewoo Electronics, "the gap between Japan and Korea is even greater than before." To keep progressing, many business executives and economists say, South Korea must navigate two major transitions. Instead of the economic system developed during the years of dictatorship, which gave the government strict economic control and concentrated business in a few huge conglomerates, South Korea must now move toward freer markets and smaller, entrepreneurial companies.

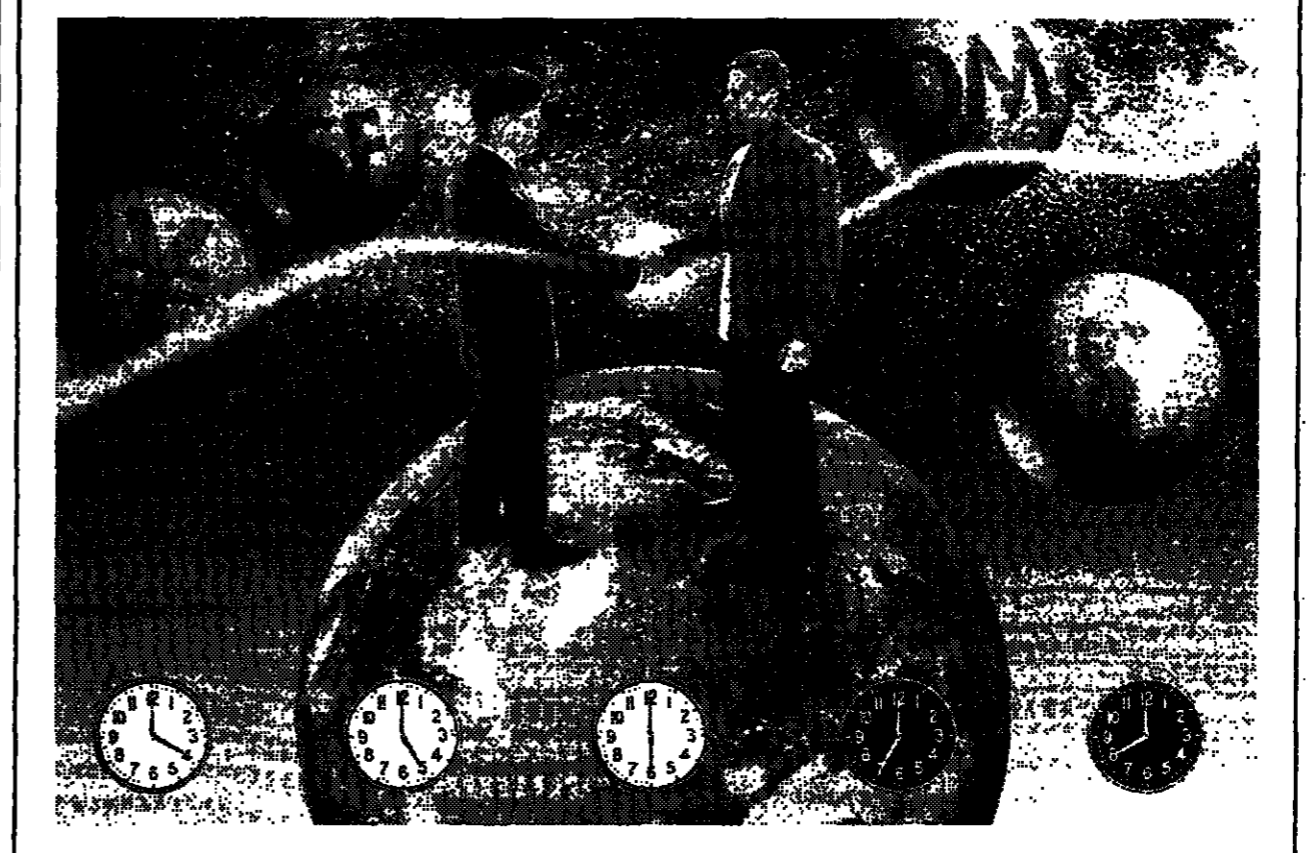
1993 Is Promising a Feast For Germany's News Buffs

By Brandon Mitchener. International Herald Tribune. FRANKFURT — For German news junkies used to deprivation, 1993 will be the year of the overdo. Three new television stations focusing on hard news and one feature-oriented, as well as a weekly newsmagazine, will be taking aim at what is considered one of the last promising niches in the German advertising market: well-educated and wealthy with a craving for information.

Franc Feels Pressure As ERM Jitters Return

Compiled by Our Staff From Dispatches. LONDON — The Deutsche mark strengthened in nervous foreign exchange trading on Tuesday, and the French franc succumbed to a fresh bout of European currency jitters. Germany's central bank, the Bundesbank, intervened to support the franc at 3.4176 to the mark around midday in a replay of repeated franc-buying forays it mounted last week.

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CURRENCY & INTEREST RATES

Table with multiple columns: Cross Rates, Eurocurrency Deposits, Key Money Rates, and Forward Rates. Includes various financial data points and interest rates.

NYSE

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trading elsewhere. Via The Associated Press

Tuesday's Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trading elsewhere. Via The Associated Press

Symbol	Price	Change
IBM	100.00	+0.25
MSFT	45.00	+0.50
ORCL	35.00	+0.25
INTL	25.00	+0.10
DISC	15.00	+0.15
WALD	10.00	+0.05
AMZN	5.00	+0.10
GOOG	3.00	+0.05
MSFT	45.00	+0.50
ORCL	35.00	+0.25
INTL	25.00	+0.10
DISC	15.00	+0.15
WALD	10.00	+0.05
AMZN	5.00	+0.10
GOOG	3.00	+0.05

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WALD	10.00	+0.05
AMZN	5.00	+0.10
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AMZN	5.00	+0.10
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WALD	10.00	+0.05
AMZN	5.00	+0.10
GOOG	3.00	+0.05

(Continued on next page)

AMEX High-Lows

Symbol	High	Low
IBM	100.00	99.75
MSFT	45.00	44.50
ORCL	35.00	34.75
INTL	25.00	24.75
DISC	15.00	14.75
WALD	10.00	9.75
AMZN	5.00	4.75
GOOG	3.00	2.75

NYSE High-Lows

Symbol	High	Low
IBM	100.00	99.75
MSFT	45.00	44.50
ORCL	35.00	34.75
INTL	25.00	24.75
DISC	15.00	14.75
WALD	10.00	9.75
AMZN	5.00	4.75
GOOG	3.00	2.75

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NEWS: 1993 Is Promising to Be a Feast for Hungry German News Buffs

(Continued from first finance page) earnings per share next year because of its involvement in two German private entertainment stations.

But analysts said the simultaneous appearance of at least four news and information providers at a time when most news is bad news may be more than the German market can swallow. Some said it was unlikely all the new products would survive.

"Germans are very traditional in their habits," said Heidrun Fleve, media editor at Horizont, a German advertising industry weekly. "People often don't switch channels like the experts expect no matter how good an idea is."

This fact of life became painfully obvious when the Wall fell and German media mavens tried to push through increases in advertising prices with the argument that the potential market had grown by 16 million. Rather than being hungry for hard news, however, East Germans opted for escapism.

"For many people there," Ms. Fleve said, "the days are so depressing that the last thing they want to do is hear the latest unemployment statistics. Instead, they tune into sitcoms."

The best things the new news providers can offer advertisers are a relatively affluent, recession-proof audience and pent-up demand.

German television news is currently dominated by two programs, Tagesschau and Tagesthem, which achieve peak viewership of 20 percent but lag in flexibility. Indeed, a big boost to the start-up stations came from the Gulf War, which exposed technical and professional chinks in the state television stations' armor as they tried in vain to match coverage by CNN.

CNN is not widely available in Germany because of a squabble with German Telekom, the agency that regulates cable television. In contrast to other such conduits of information, which carry CNN as a service and pass costs along to cable customers, Telekom demanded a fee from CNN as well.

The three start-up television news stations together cannot expect to capture much more than 4 percent of the nation's 31.1 million viewing households. Some specialists questioned whether that niche is large enough to support three stations.

N-TV is confident that it can make a profit with as little as 1.8 percent-to-2.0 percent viewership, or 600,000 viewers over the course of a day, with its focus on hard news and business information. It hired away two anchors of the popular "Telebörse" program from Sat.1, another private station, to chair a midday business broadcast including a live feed from the Frankfurt stock exchange.

NASDAQ

Tuesday's Prices
NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

12 Month High	Low	Stock	Div	Yld	PE	20%	High	Low	Latest	Open
120	110	IBM	4.00	4.5	15	10	120	110	115	115
100	90	Microsoft	0.00	0.0	15	10	100	90	95	95
80	70	Oracle	0.00	0.0	15	10	80	70	75	75
60	50	Intel	0.00	0.0	15	10	60	50	55	55
40	30	Sun	0.00	0.0	15	10	40	30	35	35

NYSE

Tuesday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

12 Month High	Low	Stock	Div	Yld	PE	20%	High	Low	Latest	Open
120	110	IBM	4.00	4.5	15	10	120	110	115	115
100	90	Microsoft	0.00	0.0	15	10	100	90	95	95
80	70	Oracle	0.00	0.0	15	10	80	70	75	75
60	50	Intel	0.00	0.0	15	10	60	50	55	55
40	30	Sun	0.00	0.0	15	10	40	30	35	35

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100	90	Microsoft	0.00	0.0	15	10	100	90	95	95
80	70	Oracle	0.00	0.0	15	10	80	70	75	75
60	50	Intel	0.00	0.0	15	10	60	50	55	55
40	30	Sun	0.00	0.0	15	10	40	30	35	35

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12 Month High	Low	Stock	Div	Yld	PE	20%	High	Low	Latest	Open
120	110	IBM	4.00	4.5	15	10	120	110	115	115
100	90	Microsoft	0.00	0.0	15	10	100	90	95	95
80	70	Oracle	0.00	0.0	15	10	80	70	75	75
60	50	Intel	0.00	0.0	15	10	60	50	55	55
40	30	Sun	0.00	0.0	15	10	40	30	35	35

12 Month High	Low	Stock	Div	Yld	PE	20%	High	Low	Latest	Open
120	110	IBM	4.00	4.5	15	10	120	110	115	115
100	90	Microsoft	0.00	0.0	15	10	100	90	95	95
80	70	Oracle	0.00	0.0	15	10	80	70	75	75
60	50	Intel	0.00	0.0	15	10	60	50	55	55
40	30	Sun	0.00	0.0	15	10	40	30	35	35

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60	50	Intel	0.00	0.0	15	10	60	50	55	55
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100	90	Microsoft	0.00	0.0	15	10	100	90	95	95
80	70	Oracle	0.00	0.0	15	10	80	70	75	75
60	50	Intel	0.00	0.0	15	10	60	50	55	55
40	30	Sun	0.00	0.0	15	10	40	30	35	35

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EUROPE

Devaluation Mixes U.K. Data

By Erik Ipsen
International Herald Tribune
LONDON — The bill for the devaluation of the British pound is falling due much more quickly than most economists had expected.

Ian Beauchamp, an economist with Hambros Bank, said he believed the combination of higher-than-expected input-price inflation and manufacturing output would make people "more cautious" in predicting the next rate cut.

More Delay In Store for Alitalia Reveals Malev Stake Is 30%

Compiled by Our Staff From Despatches
ROME — Alitalia SpA said Tuesday that the stake it agreed last week to buy in Malev, Hungary's national carrier, was 30 percent and that other Italian interests were buying an additional 5 percent holding for a total cost of 100 billion lire (\$71.7 million).

British Midland Is Rebuffed by EC On Dan-Air Deal
BRUSSELS — The EC commissioner for competition policy, Sir Leon Brittan, said Tuesday he had rejected a complaint by British Midland Airways against British Airways' purchase of Dan-Air, but that he was going ahead with a separate inquiry demanded by Belgium.

Investor's Europe

Table with columns for Frankfurt DAX, London FTSE 100 Index, Paris CAC 40, and various exchange rates and indices for Amsterdam, Brussels, Frankfurt, Helsinki, London, Madrid, Milan, Paris, Stockholm, Vienna, and Zurich.

U.K.: Will Britain Be Able to Fight the Import Tide?

(Continued from first finance page)
economist at the Confederation of British Industry.
In other words, something went wrong. More efficient, more profitable companies are supposed to expand. As a whole, Britain's did not.

growth led by exports and by domestic producers clawing back domestic market share. Stimulating consumer demand, it is argued, would only serve to pull in new waves of imports.

Kuwait to Sell Grupo Torras's Spanish Holdings

MADRID — Grupo Torras SA, the Kuwait Investment Office's Spanish holding company that went into receivership last week, says it wants gradually to sell off its Spanish interests.

It would be deeply involved in strategic decisions made by Malev. Alitalia was bidding against Deutsche Lufthansa AG last week. British Airways PLC and KLM Royal Dutch Airlines showed interest earlier, but they dropped out of the bidding.

Very briefly:

- KLM Royal Dutch Airlines will pay Philips Electronics NV 75 million guilders (\$42.5 million) to install personal video players in the airline's first- and business-class seats.
• Alko NV said it plans to invest 25 million guilders at its Delfzijl, Netherlands, plant due to an expected increase in demand for chloroform as a replacement for chlorofluorocarbons, whose use as coolants is damaging to the Earth's ozone layer.

SEOUL: Korea Fears Era of Rapid Growth Is Ending

(Continued from first finance page)
wear companies, for instance, have shut down in the last two years as Nike, Reebok and other big buyers have taken their business elsewhere.

Many foreign analysts are not as pessimistic. They say the current slowdown stems from the worldwide recession and from efforts by the Government to rein in inflation.

New Outlay for Polish Steel

WARSAW — The Italian steel company Lucchini Siderurgica SpA said Tuesday it would invest \$150 million to modernize Poland's largest steelworks.

Christies Revamp to Cost 60 Jobs
LONDON — Christie's International PLC, the auction house, said Tuesday it was restructuring its specialist departments and cutting about 60 employees worldwide.

INGERSOLL-RAND COMPANY (CDRs) advertisement. The undersigned announces that as from 24 December 1992 it has associated N.V. Spuisstraat 172, Amsterdam, div. cpa. no. 80 of the CDR's Ingersoll-Rand Company, each repr. 5 shares will be payable with Dfls. 1.22 net (div. per sec. date 18.11.92, gross \$ 0.175 (plus) after deduction of 15% USA tax = \$ 0.131 = Dfls. 0.25 per CDR Div. cpa. belonging to non-residents of The Netherlands will be paid after deduction of an additional 15% USA tax (= \$ 0.131 = Dfls. 0.25) with Dfls. 0.99 net.

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CITIMARKETS 49, Boulevard Prince Henri, L-1724 Luxembourg NOTICE TO ALL UNITHOLDERS By decision of the Management Company and the Depository Bank, the Citimarkets Special Bond Portfolio was dissolved on December 9th, 1992.

PIA advertisement featuring images of a tennis racket, a badminton racket, a tennis ball, a badminton shuttlecock, and a tennis ball. Text: "PIA sponsored the 198 World Hockey Cup 1990 in Lahore." "PIA is Pakistan's largest sponsor of international sports, it's only natural that we would also actively promote sports internally, for our own fitness. Because the better we play, the better we work. Another reason why, when you fly with PIA, you're flying with extraordinary people."

AMEX Tuesday's Closing Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press. Table with columns for 12 Month High/Low, Div, Yld, PE, and various stock symbols.

Table with columns for 12 Month High/Low, Div, Yld, PE, and various stock symbols. Includes sub-sections for 'Gulf' and 'D-E-F'.

Table with columns for 12 Month High/Low, Div, Yld, PE, and various stock symbols. Includes sub-sections for 'M-A-N', 'M-A-N', and 'M-A-N'.

Table with columns for 12 Month High/Low, Div, Yld, PE, and various stock symbols. Includes sub-sections for 'W-L-C-Y-Z' and 'W-L-C-Y-Z'.

Advertisement for Cartier Montre Tank. Features an image of a Cartier watch and promotional text: 'AN IHT GIFT SUBSCRIPTION MEANS A FREE HOLIDAY GIFT — PLUS FREE WEEKS ADDED TO YOUR OWN SUBSCRIPTION'. Includes details about the gift subscription offer and contact information for the International Herald Tribune.

Some Cry Wordplay As Japan Rules Out Selling Deficit Bonds

TOKYO — The new Japanese finance minister, Yoshiro Hayashi, said Tuesday at his first major press conference that he opposed selling bonds to cover a national budget deficit. Analysts said he was playing a word game.

"The fact of the matter is that you can cover a budget deficit by selling construction bonds," said Marshall Gittler, bond market analyst at Merrill Lynch (Japan).

On paper, Japan is the virtually the only advanced nation without a budget deficit that it must cover with bond sales. Instead, Japan sells what it calls "construction bonds," which the government says are issued to raise money solely for public works projects.

Analysts pointed out, however, that high spending needs amid the current economic slowdown likely would cause the Finance Ministry to raise more money through bond sales, whether the bonds are labeled deficit construction or municipal.

The semantic exercise in Japan is one that the U.S. president-elect, Bill Clinton, seems willing to adopt. At the opening Monday of a two-day economic conference in Little Rock, Arkansas, Mr. Clinton said, "There's a difference between borrowing money to invest in the future and borrowing money to make the payroll."

He was quoted by The Associated Press as saying, "Should we re-examine this premise at the national level?"

The Japanese Finance Ministry, analysts said, is unwilling to appear as if it is headed toward the seemingly insurmountable fiscal problems facing the United States. The U.S. budget deficit is something Japan will avoid, they said, even if it means calling deficit financing something other than it is.

The government began issuing deficit bonds in 1972, which caused a balance sheet shortfall that it had to keep rolling over until 1989. "When a government sells what it calls deficit-financing bonds, it makes the markets think it has budget problems," said Mr. Gittler. "It just doesn't look good."

The Finance Ministry expects 61.3 trillion yen (\$495 billion) in tax revenue for the next financial year, analysts said. It will issue construction bonds of about 8 trillion yen to make up part of the shortfall, and the rest will likely come from such fundraising methods as the supplementary budget to be implemented later in the year.

One option, which the ministry chose to take this financial year, is to increase the amount of bonds sold on the regional level in the form of municipal bonds to raise money for spending by local governments.

"There are a lot of different tricks the government can do to get by without selling the so-called deficit bonds," said Masami Katsuragawa, a credit market analyst at Daiwa Securities.

Analysts said the 0.4 percent increase in the budget for the next year widely underestimated the spending needs of a government that is pumping money into the economy to revive growth. They said the ministry's estimate of 61.3 trillion yen in tax revenue was over-optimistic because of the decline in funds resulting from the slowdown.

Weak Data Spur Stocks In Tokyo

TOKYO — The benchmark Nikkei 225 average surged 1.1 percent Tuesday on a speculative rally fueled by hopes that weaker-than-expected data on machinery orders would lead to a cut in interest rates.

Private-sector machinery orders, excluding orders from shipbuilders and electric utilities, plummeted 30.7 percent year-on-year in October, to 799.1 billion yen (\$6.5 billion), and fell a seasonally adjusted 28.6 percent from September, the Economic Planning Agency said.

The year-on-year drop in October followed an 8.0 percent year-on-year fall in September. Orders rose by a seasonally adjusted 7.9 percent from August.

The Nikkei average rose 190.77 points, to 17,480.74. The weak data sparked a rally in futures prices on the chance that the Bank of Japan would lower the discount rate from 3.25 percent to spur the economy, said Wayne Rayner, a trader at Sanyo Securities.

Nikkei futures contracts for March delivery rose 280 points, to 17,510, in Osaka, and rose 335 points, to 17,635, in Singapore.

Matsuzakaya Shares Soar Shares of Yokohama Matsuzakaya, the department store, rose sharply Tuesday after Tokyo brokers received an anonymous tip saying that Harrods, the London shopping landmark, would purchase 20 percent of the Japanese company.

Matsuzakaya, a department store operator, owns 50 percent of Yokohama Matsuzakaya, which had sales of 29.2 billion yen in 1991.

The stock rose 80 yen, to 540, in the last minutes of trading after failing to trade for most of the day on an imbalance of buy-to-sell orders. Dealers said they doubted the validity of the letter, however.

China Will Cut Tariffs 7.3%

BEIJING — China, announcing details Tuesday of its largest reduction of import tariffs ever, said the cuts would take effect Dec. 31 and knock 7.3 percent off the country's general import levies. It also said it would stop enforcing unpublished regulations that deter trade.

A spokesman for the State Council's Tariff Regulations Commission told the official China Daily newspaper that the reductions would speed China's re-entry into the General Agreement on Tariffs and Trade.

China said it expected its GATT application to be approved next year and has promised to cut its overall tariff level to 15 percent, comparable to that of other developing countries in the world trade body.

The move also shows China's willingness to fulfill its October agreement with the United States to improve market access. The agreement, which narrowly averted a trade war, stipulated China should "significantly reduce" tariffs by Dec. 31, 1993.

"These are significant tariff cuts," said John Frisbie, director of the U.S.-China Business Council in Beijing. "I would expect the U.S. trade representative will see these reductions as another positive piece of the puzzle."

Other measures the country is taking include reducing the need for licenses on two-thirds of imports within two years, according to Tong Zhiqiang, vice minister of foreign economic relations and trade.

In response to complaints from foreign business executives that the authorities often enforce regulations that are unpublished, Mr. Tong pledged that all documents on trade management would be made public in a year. After that, the government will implement only regulations that are on public record, he said.

The government will cut tariffs on 3,371 kinds of commodities from Dec. 31 in the broadest reductions ever made, press reports said.

The imports affected will include chocolates, industrial chemicals, construction materials and large aircraft and were selected because they are raw materials needed in China over the long term. cannot be made in China or come from developing countries. (Bloomberg, AFP)

Taiwan Airline Begins Public Offer

TAIPEI — Taiwan's flag carrier China Airlines on Tuesday launched a public offer of shares worth 2.8 billion Taiwan dollars (\$110 million).

The offer will help us raise money to repay debts and finance purchases of new planes," a spokesman said, adding that the airline planned to expand its international operations.

China Airlines is currently 85 percent owned by the China Aviation Development Foundation, technically a private body. The remaining 15 percent was sold to local companies and airline employees in share placements that began late last year.

The public offer will reduce the foundation's ownership to about 80 percent, the spokesman said. Foreign investors will be permitted to buy the shares on the market.

By 1995 Taiwan's economic boom and rising overseas travel by its citizens, the airline has been profitable in the past few years.

Pre-tax profit rose 18.7 percent from a year earlier, to 4 billion dollars, in the first three quarters of 1992, while sales up 3.8 percent, to 33 billion dollars, the spokesman said.

A recent survey by Fortune Magazine found China Airlines was the world's fourth most profitable airline, behind British Airways, Singapore Airlines and Cathay Pacific Airways, the spokesman said.

Robert Millington, an analyst at Barclays de Zoete Wedd in London, said the decision would boost the value of Vodafone shares, but gains will be limited because the company had been viewed as the front-runner. Vodafone shares closed Tuesday on the London Stock Exchange at 413 pence (\$6.47), up 4 pence.

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Investor's Asia

Table with columns: Exchange, Index, Tuesday Close, Prev. Close, % Change. Rows include Hong Kong Hang Seng, Singapore Straits Times, Tokyo Nikkei 225, etc.

Very briefly:

- LM Ericsson AB said it agreed to form a joint venture with local partners in Guangdong province of China to sell and support mobile cellular systems beginning in early 1993.
- India, buoyed by a good monsoon season, is expected to produce a record 176 million tons of grain in the 1992/1993 year, below the official target of 183 million tons but up from 171 million tons a year ago.
- The Philippine Economic Planning Department said the country's economy would grow only 1.5 percent in 1992, down from estimates of as much as 2.5 percent, with the drop attributed largely to power shortages.
- Samsung Heavy Industries Co., a South Korean shipbuilder and machinery maker, said it had received an order worth \$100 million from Singapore's port authority.
- Beaconsfield Gold Mines Ltd. said shareholders have approved a proposal to reconstruct a Tasmanian mine which was once one of Australia's richest producers but ceased production in 1914.
- Japanese companies raised their winter bonuses for employees by only 0.52 percent in 1992 from a year ago, the smallest rise since 1980, according to an employers' survey.

INTERNATIONAL FUNDS

Large table listing various international funds with columns for fund name, currency, and price. Includes sections for DIT INVESTMENT FUND, INTERNATIONAL INCOME FUND, and various regional and thematic funds.

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SPORTS SKIING

Bianchi Wins Slalom, Tomba Second Again

The Associated Press
MADONNA DI CAMPIGLIO, Italy — Patrice Bianchi of France, overcoming the pain of a knee injury and taking risks that local favorite Alberto Tomba did not, on Tuesday won his second World Cup slalom race.

The 23-year-old from Val D'Isère, who hit his right knee against a gate in a slalom in France last week, overcame a near-spill midway through the second run to post a winning aggregate time of 1:35.12 minutes.

He came from four places back in the first heat to beat Tomba by 0.11 seconds for the first French victory this season, and the first by a Frenchman on the Miramonti track in 23 years.

Tomba, cheered by 10,000 fans, failed to win for the fifth consecutive time in his favorite gate races and for the third time in the slalom.

“And, for the first time in his career, the Italian failed to win a World Cup race in the first month of the yearly competition.”

“I did not push in the first run because I was afraid of missing a gate,” said Tomba. “Bianchi took a lot of risks in the second heat and I didn’t.”

But, following Sunday’s third place in the giant slalom at nearby Val Badia and his second place here, Tomba does have the lead in the overall Cup standings, with 256 points. Four-time World Cup champion Marc Girardelli of Luxembourg, first in Val Badia but a distant 20th in Tuesday’s slalom, fell to second place, nine points behind Tomba.

Norway’s Jan Einar Thorsen, who did not start here, held third with 197 while Bianchi climbed to eighth place with 180.

Tomba, the only skier to win consecutive Olympic titles, in Calgary and Albertville, will turn 26 while racing Saturday at the Slovenian resort of Kranjska Gora, where a giant slalom and slalom are scheduled over the weekend.

“I have two more chances in the next races at Kranjska Gora and I hope to give myself a birthday gift,” Tomba said, adding that “Girardelli and specialists of speed races are going to fight back in the January races.”

Bianchi, who first won a slalom in Garmisch-Partenkirchen, Germany, last season, said he had a small advantage in the second run, because it was set by Stefano Dalmasso, the Italian coach of the French slalom team.

“I nearly missed a gate on the top. Then I decided to take all risks. I nearly fell in the lower part, I made several mistakes and I really could not believe I was the winner,” he said.

He said his right knee caused him problems during both runs.

“Because of this injury I will only race the slalom in Kranjska Gora, giving up the giant slalom,” Bianchi said, adding that “I hope that no surgery is needed” on the knee, which will be examined again after Sunday’s slalom.

Thomas Sykora, a strongly built Austrian slalom specialist who has been off to a good start this season, placed third as the big World Cup names had a disappointing day.

Olympic slalom champion Finn Christian Jagge of Norway, last year’s winner here, finished 14th with a gap of 1.73 seconds.

World Cup defending champion Paul Accola of Switzerland finished 17th and fell to 13th place overall.

Austrian Bernhard Gstrein, the fastest in the first run, made a streak of errors in the second run and slipped to eighth place. Teammate Hubert Strotz, who had stunned the crowd with the fastest first run, then was disqualified for straddling a gate on the top of the course. Norwegian ace Kajil Andre Aamodt was also disqualified.

Patrick Staub of Switzerland had the fastest second run, 49.54 seconds, which earned him fourth place.

● The men’s downhill race in Val D’Isère that was called off Dec. 4 because of high winds will be held at Garmisch-Partenkirchen on Jan. 8, Reuters reported.

The German resort is also scheduled to stage another men’s downhill and a slalom on the following two days.



Patrice Bianchi dared to be great on the second run and won the slalom at Madonna di Campiglio, Italy.

A Gift From Brazil To Fit the Season

INTERNATIONAL HERALD TRIBUNE
LONDON — ‘Tis the season when old friends come a calling, and none will be more welcome than Telé Santana, with his spirited gift of samba soccer, when São Paulo came from a goal down to outplay Barcelona for the World Club Cup in Tokyo.

Deciding the title on a single match between jet-lagged opponents is not foolproof, but it is as near as we get to an official world champion each year, and as Santana justifiably said, “We conquered on merit.”

Indeed, they did. They lifted the soul of this grand old game, inspired young Japanese fans to cascade onto the field Sunday to mob the players.

It had never happened that way before. Not in the decade that Tokyo has hosted the Europe-South America champion of champions match have the Japanese spectators witnessed the authentic flow of Brazilian soccer.

Those of us who have were almost dancing across our living rooms. Sure, it came to us only via the keyhole of television, but some among us have refused to give up the ghost on having our memories revived.

It is high time Telé Santana had this day.

Santana is the champion to all who believe winning without style is worthless. In two World Cups, 1982 and 1986, his teams expressed the joy of the real game, yet when they failed to win the trophy he was pilloried and even stoned.

In his own youth he had been called “Thread of Hope” because, though slight, his spirit was enormous. We can only guess at how many times that thread might have snapped, but on at least three occasions he “retired,” and three times he came back because, although he admits that as a consequence he scarcely saw his children grow up, he was addicted to proving that the abandonment of Brazilian style was not a prerequisite to winning.

For two decades he has fought the physical fitness coaches in his country who took the movement, the imagination, out of Brazilian play in the misguided belief that they could never match the European method and mentality.

This “Europeanization” put despair into hearts from Pelé down. Yet in Brazil, the individual skills kept emerging even though the foundations crumbled.

This year, the Maracanã, the most famous soccer bowl in the world, reached such a state of decay and neglect that a part of it fell, crushing spectators. It is now closed, and no one knows when an economic miracle can be found with which to resurrect it. But fallen, the structure symbolizes the corruption within the game itself — the violence on the field, the doping, the mis-administration around which even the No. 1 soccer nation in the world is losing its fanatical appeal.

At one recent league match attendance was recorded as 64. Yet in São Paulo, Santana has built a site that people clamor to see. A week ago, just before flying to Tokyo, the team played its 82nd match of a chronically overburdened year in the Murumbi stadium.

The crowd numbered 90,000. From the other side of the world, again via satellite, we could feel the old sensations: The rhythm of play, the beating of drums, the sheer fascination of men toying with the ball.

IT WAS THE first leg of the Paulista League Cup final against Palmeiras. It represented, in essence, the struggle for Brazilian play: There was outrageous inventiveness, the flicks and touches that seem to shorten to breathtaking degrees the transmission between an idea in the brain and a movement in the feet.

Yet there were atrocious fouls, men hacked in full flight, red cards, mayhem. In the end, however, class told. São Paulo’s captain, Rai, scored three goals of predatory instinct served by galvanic runs and passes from fullback Cafu and the repatriated Torino winger Müller.

This Rai is familiar. In his long, lean body, his ability to create out of languidness and his eye for a chance, he resembles a man who captained Santana’s 1986 World Cup team.

He should. Rai, 27, is the younger brother by 11 years of Sócrates, the medical doctor whose exotic name and unforgettable style were woven into Santana’s beliefs on how soccer should be played.

On Sunday, another former great performer, Johan Cruyff, admitted that his Barcelona team lacked the rhythm that Rai and his playmates conjured up. And Rai scored both São Paulo goals, the first with an almost horizontal dive to chest, home a cross from Müller, the second a free kick hit with such deception that even a goalkeeper of Andoni Zubizarreta’s vast experience could not get a hand on it.

Barcelona could have lost by the same 4-1 margin that São Paulo beat it in a rehearsal in Spain last August. No doubt a certain Mr. Berlusconi of Milan is right now burning somebody’s ear to fix up a television money-spinner between his own multinational team and the Brazilian champion.

Better be quick, Silvio; quick and patient. Nothing lasts in Brazil these days and already the monied clubs of Europe are sniffing around São Paulo; already Marseille’s bid for Rai is so in.

Besides, there are so many commitments. European players who think they play too much, travel too far, should experience the sapping schedule of the Brazilians, and it is the eighth wonder of the world that they can come out fresh and excited twice, three, even four times a week because their daft club directors so overplay them.

This Wednesday, for example, Rai will be back in Brazil playing against Germany. Two matches after that, he starts Christmas week with the second leg of the Paulista Cup.

I don’t know how Rai persuaded himself he’s as good as Sócrates, and I don’t know where Santana finds the mental capacity to keep on trying to paint a canvass of light out of the depression in Brazilian soccer. But none of us can question what counts in Brazil, where they are busy building a monument to Pelé on the hill facing Rio de Janeiro’s statue of Christ.

From there to Tokyo is quite a journey, but there, on Sunday, Telé Santana, now 61, for once in his life said, “I don’t have words to express my happiness. I can offer him two: *Jogo bonito*. They are the words, meaning pretty football, he has used twice, and insist and insist on the lost years that Brazilians keep the faith in playing their way.”

Rob Hughes

UEFA Quarterfinal Draw Favors Ajax

GENEVA — The reigning UEFA Cup champion, Ajax Amsterdam, was handed the ideal draw Tuesday for its bid to retain the trophy when it was paired with Auxerre of France and avoided the big guns Juventus, Real Madrid and Benfica in the quarterfinals.

The Dutch club’s good luck in dodging the other three former European champions, coupled with the psychological advantage of playing the second leg of its tie against Auxerre at home, makes it a strong favorite to reach the semifinals.

Auxerre’s other team in the tournament, high-flying Paris St. Germain, was given an equally tough task when it was drawn against six-time European champion Real Madrid.

Italy, which like France has two teams in the last eight, remained on course for gaining a UEFA Cup finalist for the fifth straight year when Juventus and AS Roma were kept apart.

Juventus will play Benfica in a showdown between two former European champions and Roma, the losing 1991 finalist, will face Borussia Dortmund of Germany.

Auxerre’s dismay at being drawn to play Ajax was summed up by the club secretary, Michel Billard, who said, “We would have preferred any other club, especially as Ajax has such a formidable reputation in UEFA club competitions.”

“We would also have preferred to have played the first match away. We expect two tough matches.”

But the Ajax club president, Michael van Praag, while delighted at playing the March 3 first leg at Auxerre, was cautious about the tie against the 1990 quarterfinalists, currently fourth in the French league.

“The French clubs are really very strong this season and we are not going to take any chances,” he said.

“All eight clubs at this stage in the UEFA Cup are equally strong, and in my opinion much stronger than the champions league.”

Real Madrid, struggling to find its best form in the Spanish league this

The UEFA Cup Draw

Quarterfinals:
First leg: March 3, second leg: March 17.
AS Roma vs. Borussia Dortmund
Real Madrid vs. Paris St. Germain
Benfica Lisbon vs. Juventus Turin
Auxerre vs. Ajax Amsterdam

Manuel Fernández, Real’s international manager, said that “Paris St. Germain is a very good club, a prestigious club which has already eliminated Napoli and PAOK Salonika. They are not a club we can underestimate.”

“The problem is that the Spanish media and public expect us to win everything and we are always under great pressure. We can look forward to two hard matches.”

season, was equally cautious about being drawn against a rejuvenated Paris team.

Knicks Run Garden Record to 11-1 As Ewing-Mutombo Rivalry Flowers

NEW YORK — Like Patrick Ewing, their flightless center, the New York Knicks came alive in the second half.

Ewing, who had a fever and sat most of the first half with foul trouble, matched his season low with 4 points while playing against fellow Georgetown alumnus Dikembe Mutombo, who scored 15 and had 10 rebounds.

But after a sluggish first half, the Knicks woke up in the third quarter and beat Denver, 106-89, on Monday night to run their record in Madison Square Garden to 11-1 this season, the best in the NBA. It was the Nuggets’ fifth straight loss.

Ewing said Mutombo was the only reason he didn’t take the night off.

“That’s why I played,” said Ewing of the friendly rivalry. “I should have just gone home to sleep.”

Charles Smith scored 23 points and John Starks and Rolando Blackman each added 17 for New York, which has won nine of its last 12 games.

“For some reason we did not have the energy level in the first half,” said the Knicks’ coach, Pat Riley. “It was sort of like watching paint dry.”

Ewing logged only 12 minutes that half after being accidentally elbowed in the face by Mutombo with 8:20 left in the second quarter. But he and Mutombo, held to two and four points, respectively, in the first half, both came alive in the third quarter.

New York took its first 10-point lead, 61-51, with 4:43 left in the third quarter. It came on a three-point play by Ewing and capped an 11-6 run that featured seventh straight points by Ewing, who had nine in the quarter.

Mutombo, meanwhile, scored 10 in the period but the Nuggets could pull no closer than eight. New York led, 76-63, after three quarters.

The Nuggets, averaging 107.8 points per game and 108.8 in their four previous losses, were held to 16 in the first quarter and trailed 44-39 at halftime.

Golf’s Bid Passes First Test at IOC

LAUSANNE, Switzerland — The International Olympic Committee took a first step Tuesday toward including golf in the 1996 Olympics at Atlanta.

The U.S.-based World Amateur Golf Council, the ruling body recognized by the IOC, made the formal application to include golf in the next Summer Olympics.

The IOC’s Program Commission agreed unanimously to forward the application to a meeting of the IOC executive board next March. If the proposal passes there, a full committee session in June must give final approval.

Objections that Augusta National, the proposed venue, practices discrimination were not addressed by the commission, which rules only on whether a sport qualifies for the Olympics.

DENNIS THE MENACE



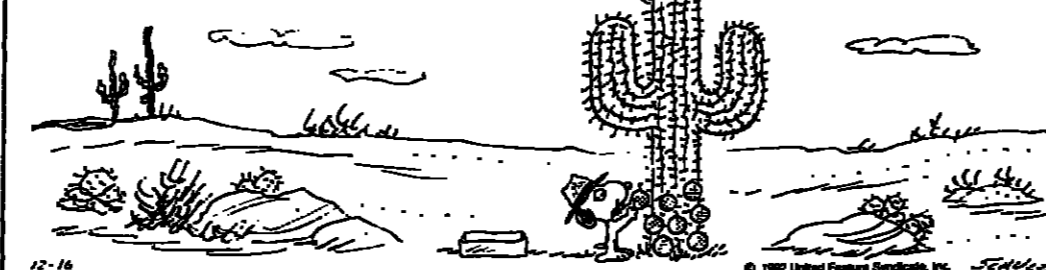
JUMBLE THAT SCRAMBLED WORD GAME

WICTE: MALJHN ERVEWS TOENED

Answer: LOUSE HONOR CLIPFUL SUCKLE

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PEANUTS



BLONDIE

THAT NEW YOUNG EXEC WE HIRED IS REALLY ON THE GREEN SIDE

HE'S GOT NO SEASONING

I KNOW WHAT YOU MEAN

WELL, HE'S SEASONED NOW

BETTY BAILEY

OOPS!

BONK!

BOY! WHAT SOME PEOPLE WILL DO TO HAVE HAIR!

DOONESBURY

ANY WORD TODAY?

NOPE.

I TROVE I HAD TO TRY TO BUY UP SOME INVENTORY TO BUY UP SOME INVENTORY.

BUT FOR SOME REASON I HAD TO BUY UP SOME INVENTORY.

I HAD AN AND SURELY GOOD FEELS ABOUT MY CHOICES.

FBI, MAMAM, BACKGROUND CHECK.

YESS!

CALVIN AND HOBBES



WIZARD of ID

THIS MAN WAS BURNING YOU IN EFFIGY!

THERE'S NO LAW AGAINST THAT!

IT WAS IN A NO SMOKING AREA

REX MORGAN

YOU SHOULDN'T HAVE SPENT SO MUCH TIME ALONE WITH IVY TONIGHT, KEN...

GOOD--MAYBE I CAN MAKE HIM UNINTERESTED IN HOW MUCH HIS WIFE LOVES HIM!

WILL THAT BE BEFORE OR AFTER HE BREAKS YOUR NOSE?

GARFIELD

LET'S SEE NOW... WHERE SHOULD WE PUT THE TREE?

HOW ABOUT OVER THERE, WHERE WE PUT LAST YEAR'S TREE?

SOUNDS GOOD

SPORTS FOOTBALL

Just a Formality? Baseball Clubs File Notice for Lockout

By Murray Chass
NEW YORK — It may turn out to be a formality, but it may be the first move in the eighth work-stoppage in the last major league baseball's club owners and players.

point. All this could do was preserve the option to shut it down in February. That's the point of this.

Steinbach Stays Put
Terry Steinbach joined the list of free agents who have said no to the New York Yankees' millions, agreeing Monday to stay with the Oakland Athletics for \$14 million over four years.

Oakland had been offering a \$12.5 million package to the catcher until the weekend, when the Yankees proposed a \$17 million deal. In rejecting the offer, Steinbach joined a group that includes Barry Bonds, Greg Maddux, Doug Drabek, David Cone and Jose Guzman.

Money has never been my major focus, Steinbach said. "I would like my fair share, but I've never been one to jump on just the dollar amount. It's more the concept of what the A's have meant. They've stuck with me for 10 years and I felt a sense of loyalty.

In other deals, Bob Melvin, 31, the catcher who played in 22 games for Kansas City last season and hit .314 in 70 at-bats, agreed to a \$1.35 million, two-year contract with the Boston Red Sox, and Tom Foley, the infielder who had played the last six seasons with Montreal, agreed to a \$360,000, one-year contract with the Pittsburgh Pirates.



Mark Higgs, who ran the Raiders ragged, also had a hand in the Dolphins' big play of the third quarter, a 62-yard touchdown pass.

Dolphins Bruise Raiders to Near Spot in Playoffs

MIAMI — The struggling offense finally scored a touchdown and the defense got another as the Miami Dolphins beat the Los Angeles Raiders, 20-7, and stayed in contention for the American Conference East title in the National Football League.

Anderson's return tied for the third longest in NFL history. Brown's score was just as sudden. He stepped in front of the intended receiver, Willie Gault, on a squareout pattern, caught Schroeder's pass in full stride and raced untouched down the sideline to his first touchdown in four years.

The play came 20 seconds after Pete Stoyanovich opened the scoring with a 26-yard field goal. He also kicked a 25-yarder in the fourth quarter.

Anderson's interception return was the longest in Raiders history. The previous team record of 97 yards was set by Mike Hayes against Miami in 1984.

After 5-Year Stalemate, NFL May Have a Deal

By Mark Asher
WASHINGTON — This much seems reasonably certain about the labor situation between National Football League owners and their players: There is either going to be peace soon — ending five years of litigation over unrestricted free agency — or more contentiousness, with both sides possibly returning to federal court over a new issue: The NFL's college draft.

terms discussed last Wednesday, the rookie limit would be about \$2 million per team in the first year of the deal.

SCOREBOARD

BASKETBALL

Table with NBA Standings, Eastern Conference, and Western Conference results.

College Basketball's Top 25

Table with Associated Press poll, top 25 teams, and major college scores.

BASEBALL

Table with American League and National League standings.

SOCCER

Table with World Cup results and various football leagues.

CRICKET

Table with World Series Cup and One-Day International results.

SKIING

Table with World Cup Results and various skiing events.

HOCKEY

Table with NHL Standings and various hockey leagues.

BASEBALL

Table with Transactions and various baseball news items.

Today's Business Message Center. Includes sections for Education, Legal Services, Automobile Market, Automobiles, and Auto Rentals.

International Classified. Includes sections for Announcements, Personal, Aviation, Real Estate Investments, Real Estate to Rent/Share, Real Estate, and International Classified.

Real Estate to Rent/Share. Includes sections for Paris Area Furnished, Paris Area Unfurnished, Middle East, Southern Africa, Latin America, and Australia.

OBSERVER

The Fairy-Tale Cliché

By Russell Baker

NEW YORK — The papers and the television keep repeating "storybook marriage." Even years ago with the same witless monotony they kept repeating "fairy-tale wedding."

What's a fairy-tale wedding? A middle-aged bachelor and an up-to-the-minute version of one of Evelyn Waugh's bright young things taking the vows — is that a fairy-tale wedding?

For a fairy-tale wedding you need a glass slipper or maybe a glass coffin and a resolute though colorless prince willing to travel around trying to fit women's feet into the slipper or ready to kiss life into palpably undead housekeepers for dwarfs.

That business with the glass slipper would probably get a prince in dutch nowadays when everybody knows about foot fetishists and sexual harassers. Also for fairy-tale weddings there ought to be wicked witches, evil stepmothers, fairy godmothers.

None of these would we tolerate for an instant today. We are too enlightened. We know stepmothers are just as nice as everybody else, and you know how nice that is.

Fairy godmothers turning pumpkins into coaches, rats into footmen, squalor into beauty: we know about fairy godmothers nowadays.

They are nothing but metaphors, and metaphors are poetry, and who wants to mope around with poetry now when every grocery counter in America offers Heartbreak Miracle, Tragedy, Split, Diet, Cancer, and Shocking Truth?

As for witches, they now talk to reporters about the charity fund-raising of their covens, proving that even witches nowadays are publicity-crazed.

Surely they will soon have a Witches Association of America in Washington, which is to say, a lobby out to persuade Congress that witches are just as nice as stepmothers, so deserve some subsidy money. They may already be shamefully insensitive to suggest witchhood to be wicked to get into the sisterhood.

Sisterhood? What are we saying? Half the typical coven in these gender-speaking days probably has to be composed of men witches.

So much for the fairy-tale wedding of Di and Charles. The age

for all its wonders, is stuporously bland in romance and even hostile to the poetic imagination. That's why the papers and the television can get away with telling us that overpriced show nuptials featuring two largely uninteresting persons is a fairy-tale wedding.

Yes, their destiny is to be astoundingly rich and perform work of preposterous dullness while being called "Your Majesty" and "Ma'am." The papers and the television think we are so completely addled by astounding richness, preposterous dullness and "Majesty" talk that we will accept the fatuous "fairy-tale wedding" cliché, thus letting the papers and the television get away with reporting the story with brains turned off.

After "fairy-tale wedding" came "storybook marriage."

What's a storybook marriage? Anna Karenina married to that dim bureaucrat Karenin and carrying on with Count Vronsky — is that a storybook marriage?

"Anna Karenina" is a big book and a wonderful story and marriage is what sets it in motion and leads to its grim conclusion.

It is not, however, what the papers and the television have in mind when they talk about the royal British "storybook marriage."

As a one-time maestro of the rewrite desk, I suspect "storybook marriage" is one of those empty phrases that sound exciting and read like page-turner literature while concealing the fact that the writer hasn't the faintest idea what really happened.

"Blazing inferno" is a typical representative of this newspaper prose family. It's faintly suggestive of Dante and it sounds as if the fire must have been — must have been — well, what? I, who felted many a building in "blazing inferno," had not read Dante, didn't care whether inferno blazed or sizzled, and knew only that the things had burned down.

By talking of this week's news as the end of a storybook marriage, the media cling to the fairy-tale malarkey they created for the wedding. For British monarchy, however, this marriage tale may be as dark as the story of "Anna Karenina," which is not what most people mean when they say "storybook marriage."

New York Times Service

Voltaire's Legacy: The Cult of the Systems Men

By Barry James

PARIS — Voltaire was an eminently reasonable thinker, but in the hands of modern man his ideas have been turned into dangerous folly.

Thus argues the Canadian author John Ralston Saul who, in his latest book, "Voltaire's Bastards," says that the kind of critical thinking propounded by the philosophes of the 18th-century Enlightenment has degenerated into a cult of managerial, financial and scientific efficiency bereft of democracy or morality.

The result, he says, is the development of rational elites that know everything there is to know about their self-contained technical or scientific worlds, but lack a broader vision. They range from Marxist cadres to Jesuits, from Harvard MBAs to army staff officers, but they have a common underlying concern: how to get their particular system to function. Meanwhile, Saul maintains, civilization becomes increasingly directionless and incomprehensible.

"The single thing that modern managers and politicians cannot do properly is to manage," Saul said in an interview here. "They can administer detail, but they cannot manage civilization."

Voltaire used the verbal rapier to prick the pretensions of his time. Saul uses the verbal blunderbuss. An energetic gaffler, he scatters scorn liberally on the technocratic elites that he says hold sway in virtually every Western country.

The book is long (more than 600 pages) and unremittingly contrarian — more a work of extended political polemic than of philosophy. It sometimes loses sight of the philosophical ramifications of the word reason, first by taking the philosophes' definition at face value and then by applying it indiscriminately to a certain kind of modern systems mentality.

Another weakness, arguably, is that the book offers no solutions to the problems it identifies, or says what should be put in place of the systems it attacks. Saul argues, however, that this is not the writer's role. "His task is to provide a reflection in which society can see itself."

The reflection is an ugly, but a thought-provoking one.

According to Saul, "Were Voltaire to reappear today, he would be outraged by the new structures, which somehow deformed the changes for which he struggled. As for his descendants — our ruling elites — he would deny all legal responsibility and set about fighting them, as he once fought the courtiers and priests of 18th-century Europe."

Saul judges society by its effects and its paradoxes. He sees democracies in which few participate politically; free speech hollowed by pressure to conform; an obsession



John Ralston Saul says that the kind of critical thinking propounded by the 18th-century philosophes has degenerated into a cult of efficiency, bereft of morality.

with free competition masking a vast subsidized market in armaments; a world of violence in which the number of people killed every day exceeds the daily losses of the French Army in the Great War.

"If philosophy has nothing to say about the way that society works, then maybe philosophy has got a problem," he said. The author said knowledge no longer is generally seen as a means of public enlightenment, but is rationed out and used as a means of power and control, and of self-affirmation over other people.

The first thing that technocrats do when they get hold of knowledge is to guard it jealously from outsiders, he said, the result

being a fundamental breakdown in communication and civic discourse. "The single and shortest definition of civilization is the word language, because language is communication," Saul said. "But language essentially no longer serves to communicate among the mass of the population. The nuclear scientists are no longer able to communicate with the medical specialists. The presidents of corporations cannot communicate with surgeons. They have turned their respective subjects into inaccessible dialects."

As a result, he said, the common language becomes increasingly confined to clichés and irrelevances, while secrecy ex-

tends its grip everywhere. In Britain, Saul noted, even the gardeners at the royal parks and the museum curators are bound by the Official Secrets Act.

Because of the combination of increasing specialization and declining communication, Saul argues, modern executives fail to see "that what does not seem to work in military strategy is, in fact, what doesn't work in museum administration either."

Good leaders, Saul said, are often not concerned with administration or managing detail, but with concepts and ideas. They may even see laziness.

"They have a tendency to stay in bed and get up late," Anwar Sadat of Egypt was a notorious late riser. Mackenzie King, a former prime minister of Canada, stayed in bed until noon. Winston Churchill frequently chose to work in bed, while President Charles de Gaulle, although accused of dictatorial habits, "often confined himself to correcting the grammar in his ministers' letters" — leaving them to get on with the details of administration while he pondered grander things.

Saul argues that the cult of efficiency and reason began with the Jesuits, who he said embraced a method of a priori reasoning, efficiency and secrecy divorced from ethical considerations — the idea that the end justifies the means.

He said modern civilization goes further, because it marries Jesuit methodology to the concept of the nation-state and the overriding principle of *raison d'état*.

"Systems dominate everywhere as do the systems men. At the same time nationalism has never been so strong, so much an end in itself."

Voltaire ridiculed the elite of his day as pitifully ignorant, of being incapable of thinking and asking questions and talking in wide circles. Saul says, however, that "the technocrats of our day make the old aristocratic leaders seem profound and civilized by comparison. The technocrat has been actively, indeed intensively, trained. But by any standard comprehensible within the tradition of Western civilization, he is virtually illiterate."

The author compared the polymathic scientists of the 18th century to doctors today who earn hundreds of thousands of dollars, whose knowledge and vocabulary is limited to a single organ, whose acquaintance with literature is derived from the reading of a few formulae thrillers and whose political understanding is limited to a schematic view of capitalism versus communism.

Saul said that the worst thing for modern elites is to admit doubt. In Socratic dialogue, every answer raises a question but "with the contemporary elites every question produces an answer." Thus ensues a civilization of enormous technological power but puny wisdom.

PEOPLE

Streisand and Sony Set For a \$60 Million Deal

Barbra Streisand joins the mogul class: Sony has signed a \$60 million contract with the singer, putting her right up with the top earners, Madonna, Prince and Michael Jackson, according to New York Newswire. Streisand, 50, would get paid an estimated \$3 million for each film she directs and \$5 million for each album she produces over the 10 years of the deal. Streisand also reportedly will get a \$4 million advance per film performance, and \$1 million for each movie she produces.

The New Yorker reported that the spirit of Princess Diana's dead father sees "a new suitor in the new year" for the recently separated wife of Prince Charles, the princess's spiritual consultant said. Betty Falcko, who has been Diana's close confidante since 1987, said she often speaks with the spirit of Diana's father, the late Earl Spencer, in the presence of the Princess of Wales.

A \$34 million film biography of Charlie Chaplin opens in London on Wednesday but has already run into carping from critics who say the bowler-hatted tramp he invented just isn't funny any more. Sir Richard Attenborough's tribute treats an uneasy tightrope between adoring worship of the Chaplin legend and poking around in the private life of the star, a womanizer who married four times and sired 11 children. He died in Switzerland in 1976, a multimillionaire who detested "talkies."

The fashion designer Vivienne Westwood caused a stir on Tuesday when she left off her underwear in an audience with Queen Elizabeth II. Westwood, 51, known as the "Queen of Punk" for pioneering the punk movement of the 1970s, received an Order of the British Empire dressed in a respectable grey wool suit with long skirt and fitted jacket. Asked if she wore underwear to receive the honor at Buckingham Palace, she said: "I didn't actually, I wore tights and I have got a bra on but no knickers."

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WEATHER

Weather forecast section including maps and tables for Europe, North America, Asia, and Oceania.

CROSSWORD

Crossword puzzle section with clues and a grid.

BOOKS

HENRY JAMES: The Imagination of Genius. By Fred Kaplan. 620 pages. \$25. William Morrow & Co. Reviewed by Michiko Kakutani. Another biography of Henry James? Since the publication of Leon Edel's magisterial and minutely detailed life of James — the five-volume study was completed in 1972 and is widely acknowledged as one of the preeminent examples of the biographer's art — it would seem an act of hubris or folly to attempt another portrait of the Master.

When it comes to analyzing James's major works, Kaplan is decidedly more provocative, providing the reader with some interesting, if extremely Freudian, interpretations of the author's autobiographical impulse. The problem is that they are overly reductive, always a liability in literary criticism, but especially so in the case of James, a novelist of sensibility whose very art depended on the subtle delineation of the nuances of the human spirit.

AT&T advertisement featuring a clock and the slogan 'Now good news can travel even faster.' Includes a table of international access numbers.